



ONTARIO

Report of the TASK FORCE ON OFF-TRACK BETTING

VOLUME TWO

TASK FORCE ON OFF-TRACK BETTING

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APPENDIX A

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The Canada Department of Agriculture
The Ontario Racing Commission
The National Association of Canadian Race Tracks
The Ontario Provincial Police Force
The Metropolitan Toronto Police Force
The City of Hamilton Police Force
The City of Windsor Police Force
The Ontario Jockey Club
Adrian Messenger Services and Enterprises Ltd.
Greenback Investments Ltd.
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To all of those who may have been inadvertently omitted, we express our apologies as well as our thanks.

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APPENDIX C



TASK FORCE ON OFF TRACK BETTING

INTERIM REPORT

February, 1972.

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TO HIS HONOUR
THE LIEUTENANT GOVERNOR OF THE PROVINCE OF ONTARIO

MAY IT PLEASE YOUR HONOUR:

We, the members of the Task Force on Off-Track Betting, appointed by Order-In-Council No. 2215/71, dated the 23rd day of July, 1971, to examine and review the various systems, methods and procedures of off-track betting and to advise the Government as to those which seem most suitable for implementation in Ontario, submit to Your Honour, herewith, an interim report.

A. R. Dick

A. R. Dick, Q. C., Chairman

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February 1972.

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INTRODUCTION

Off-track betting has existed until recently in Ontario only in the illegal form of bookmaking, which has always been an offence under the *Criminal Code*. The off-track betting shops which operate openly in Ontario today exist by virtue of an omission from the Code which, curiously, was not discovered until 1967. Ontario Court of Appeal decisions in that year and in 1969 established that a person was not in contravention of the provisions of the *Criminal Code* if he acted as an agent in transmitting bets to the racetrack to be placed at the pari-mutuel wickets for a commission. This defect was sought to be remedied by an amendment to the *Criminal Code* which made it unlawful to charge a commission for such a service, but the operators have continued to exist, purporting to survive on gratuities and the sale of racing papers.

Law enforcement agencies feared that many of the messenger services were acting as fronts for illegal bookmakers and the money wagered was not being transmitted to the racetrack. The owners of Ontario's racetracks alleged that the volume of wagering decreased substantially because the money was not being transmitted. Due to the complete lack of any regulation of this new type of enterprise, other than the power of prosecution under the *Criminal Code*, the validity of these allegations was difficult to determine, except by reference to the number

of convictions that had been obtained against operators of messenger services for bookmaking and related offences. It soon became obvious that a more formal system of regulation or control had become necessary to ensure the integrity of the horse racing industry and eliminate undesirable elements and illegal practices. With this objective in mind, The Honourable William G. Davis, Q.C., Prime Minister of Ontario, announced in July, 1971 the formation of this Task Force, which was charged with the responsibility of examining and reviewing the various systems, methods and procedures of off-track betting, and advising the Government as to those which seem most suitable for implementation in Ontario.

To that end, the Task Force has examined in some detail the systems of off-track betting currently operating in other jurisdictions, including New York State, Australia, New Zealand, Japan, Britain and France. In addition, the Task Force has undertaken a study of the economics of the racing industry in Ontario, and a study to attempt to determine the possible market for off-track betting in Ontario, in order to ascertain the revenues that might be obtained therefrom.

To permit public participation in the work of the Task Force, and to give it the advantage of suggestions and information which could be supplied by interested organizations and members of the public, advertisements were placed in every daily

newspaper in Ontario on two occasions announcing public hearings and requesting written submissions. Public hearings were held in early December, 1971, at which 24 presentations were made by interested groups and individuals. In addition to 25 formal briefs, the Task Force received hundreds of letters from the public at large containing many useful suggestions and comments. From those disparate sources the Task Force was able to obtain a full cross-section of views on the subject matter with which it is concerned.

Although a final report, containing our detailed findings and supporting data, will be issued in the near future, we have now had sufficient opportunity to study and consider some of the matters raised to issue this interim report, containing some of our major conclusions and recommendations.

1. LEGISLATIVE JURISDICTION

It is assumed for the purposes of this report that the subject of off-track betting will come under the legislative jurisdiction of the Province of Ontario following an appropriate amendment to the *Criminal Code* of Canada. We view this approach as being the most desirable in any event, as the necessary supervision and control can come most easily from that level of government which is closest at hand - namely, the Provincial Government. Off-track betting is an activity which may or may not be desirable in other parts of Canada, depending on local conditions, and it would seem most logical that the Legislature of each province should have the option of bringing off-track betting into being. There are precedents for this approach in the provisions of the Federal *Lord's Day Act* which prohibits certain activities on Sunday except as may be provided by provincial law, and in the provisions of the *Criminal Code* which prohibit lotteries except those operated by the Government of a province in accordance with provincial law, and those operated by individuals in certain circumstances under the authority of a licence granted by the provincial Lieutenant Governor-in-Council.

The "provincial option" system, as we envisage it, would permit each provincial Legislature to deal with off-track betting in its own way, either by regulation, licensing, or by permitting

the provincial Government, or an agency established by it, to operate it.

We recommend, therefore, that the *Criminal Code* be amended to provide that off-track betting in any form shall be prohibited, except as authorized by provincial law.

2. OBJECTIVES OF OFF-TRACK BETTING

We regard the primary objectives of any off-track betting system as the following:

1. The suppression, or at least diminution, of illegal bookmaking.
2. The provision of a service to the public.
3. The contribution to the financial integrity of the horse racing industry.
4. Revenue to the Government.

While we realize that no system of off-track betting will eliminate bookmaking, since a large portion of the betting done with bookmakers would appear to be on sports other than horse racing, we are of the opinion that a formal system of off-track betting would at least remove some of the betting business from the illegal bookmaker and make it more difficult for him to carry on his activities. At the same time it would provide a legitimate outlet for the many members of the public who, by supporting the existing OTB shops and illegal bookmakers, have manifested their desire to wager on horse racing when, for a number of reasons, they are unable to attend at a race course. While we recognize that a system of off-track betting, at least in its initial years, will not likely be a major source of revenue for either the racing industry or the Government, we are of the view that it can serve to recoup at least a portion of the revenue

that is at present being illegally diverted from the on-course pari-mutuel pools, so that it can be dedicated to more socially desirable activities, and we conclude therefore that the securing of revenue for both the industry and the Government are important objectives.

3. THE OPERATOR OF THE SYSTEM

The Task Force has received a wide range of submissions concerning the appropriate operator or operators of an off-track betting system, ranging from private, independent licensees to a single agency controlled completely by Government, the racing industry, or both. We categorically reject the concept of independent licensees, as we think that the public has the right to look to a single agency for the efficient and honest operation of off-track betting. For the same reason, we reject the concept employed in New York State of municipally controlled and operated systems. Instead, we prefer an independent Board or Commission, responsible through a Ministry to the Legislature. We accept the principle that the racing industry should be entitled to representation on the Board, but we reject the contention made by some parties that the Board should be dominated by racing interests, as is the case in some other jurisdictions where the horse racing industry is organized on a non-profit basis. We are of the opinion that in the public interest the majority of the Board members should be appointed by and be responsible to the Government. In the final analysis, policy decisions which will be made by the Board must be made with the whole of the public interest in mind, rather than just racing interests. However, representation of the various interests which comprise the racin

industry will ensure that a balanced point of view is achieved. Our recommendations concerning the exact composition of the Board will be contained in our final report.

The Board should be free to administer the policy laid down in the implementing legislation, and in the detailed regulations which would be approved by the Government, and to recommend changes in policy where necessary.

We therefore recommend the establishment of a Board or Commission having a majority of its members appointed by the Lieutenant Governor-in-Council representative of the general public interest, with the balance appointed by the Lieutenant Governor-in-Council on the recommendation of the various segments of the racing industry.

4. THE TYPE OF SYSTEM

We have studied basically three different types of system which can be summarized as follows:

1. A completely manual system, whereby bets made at the off-track betting shop are totalled by hand, are telephoned to a district collating centre, are there collated by hand and telephoned to a central office. From there, the totals are telephoned to the appropriate racetrack, where they are incorporated into the on-track betting pools. This is the system presently in use in New Zealand.
2. A manual system with some electronic features, which is similar in principle to the completely manual system, except that a teletype might be used in place of a telephone for transmission, and a computer might be used to collate the bet totals. This was the system in use in Victoria, Australia from 1967 to 1971.
3. A completely electronic system, whereby automated ticket-issuing terminals are employed at the off-track betting shops for recording the bets and issuing tickets, the bets are automatically communicated to a central computer by communication lines, are validated and collated by the central computer, and relayed to the appropriate racetrack by communication line to be incorporated into the on-track betting pools. This is the system in use in New York City and presently being incorporated in Victoria and New South Wales, Australia.

With any of the above, it is possible to incorporate a telephone deposit wagering system whereby the bettor opens an account by depositing a certain amount of money against which he can bet, but bets cannot be placed on credit. Security is

maintained by the use of code numbers and code names which must be given over the telephone before bets can be placed. We think that a telephone deposit wagering system provides the maximum convenience for the public, and is necessary if inroads are to be made on illegal bookmakers. In addition, it should provide rapid service to smaller communities.

We are of the opinion that the completely electronic system in its final form, provides the greatest accuracy and service to the public, and is the system which should be the ultimate objective. However, we also recognize that serious difficulties can be encountered if a completely computerized system is installed in a short period of time, as evidenced by the problems experienced in New York City. In addition, the volume of activity in some areas of the Province may not justify fully automated shops and could be adequately handled by a manual operation. We also feel that it is essential that a back-up manual system be available if, for any reason, the computer system breaks down. For these reasons, we are in favour of the second alternative, above, which can be installed more quickly and can be converted to a completely computerized operation over a period of time. It has the added advantage that the central computer can be used in operating the telephone betting system.

We therefore recommend that the system should initially employ manual ticket-selling procedures with a central computer

for collating bets and operating the telephone betting system, but that the bets should be transmitted from the betting shops to the central computer and from the central computer to the racetracks by teletype or telephone.

5. IMPLEMENTATION OF THE SYSTEM

From the information available to us, we are of the opinion that the time required to implement a completely automated system would require at least 18 months from the time that the Chief Executive Officer of the agency is appointed to the time that the first shop opens its doors for business. The implementation of a manual system would require approximately 12 months. The seemingly large amount of time is required to, among other things, engage and instruct staff, write tender specifications, select appropriate suppliers, plan and develop facilities, and develop appropriate system procedures. The implementation time could, of course, be abridged but with the inherent risk of losses in efficiency and effectiveness.

Based on the market analysis available to us at the moment, we would suggest that the system be implemented in stages on a regional basis, in centres where consumer demand appears to be concentrated. In this way the market for off-track betting in various parts of the Province could be assessed gradually as the system develops. Errors can be corrected and policies changed before the system becomes too large. In addition, it may be discovered that different types of operation will be necessary in different localities, depending on demand and local conditions. It should be possible to institute telephone betting more generally and quickly.

6. REVENUE

Currently, every dollar bet at a racetrack in Ontario is divided as follows:

1. 9 1/2 cents plus "breakage" (odd cents remaining over any multiple of 5 cents after calculating payoffs on the basis of each dollar bet) to the racing association conducting the race meeting at which the bet was made.
2. 7 cents to the Government of Ontario under the *Race Tracks Tax Act*.
3. 6/10ths of a cent to the Government of Canada pursuant to the *Criminal Code*.
4. The balance (approximately 82 1/2 cents) to the winning bettors.

We have received a large number of submissions concerning the appropriate distribution of monies which are bet through an off-track betting system. We support the principle that the on-track and off-track pools should be notionally "integrated", so that the payoff on a winning bet placed off-track will be the same as that paid at the racetrack. To achieve this, it is necessary that the total amount taken out of the off-track pool should be the same as that taken out at the track, or approximately 17.5%. It is our firm opinion that the costs of operating the system must be taken out of the pool first. It is pertinent to note that in New York City such costs are about 10% of the total amount of money bet through the off-track betting system. While it is expected that this proportion will be reduced as the system matures, we raise this at this time as a caution to

those who might otherwise feel that the system will be an immediate financial panacea. Such has not been the experience of other jurisdictions and, even in Australia and New Zealand, the cost after 10-20 years of operation ranges between 5% and 7%.

From the economic studies that we have undertaken, it would appear by and large, that the racing industry continues to be in severe financial difficulties. This is certainly true of the owners and breeders of horses, although most of the racetracks do manage to turn a profit. The position of the owners has deteriorated since 1965 to the point where the average annual operating loss per thoroughbred horse in 1970 had increased to \$1,600 from \$980 in 1965, and to \$1,220 per standardbred horse from \$830 in 1965. The standardbred breeders seem to share this plight while their thoroughbred counterparts seem to be experiencing an unexplained up turn in prices. In any event, the racing industry has been in a financial decline for many years, and its difficulties are not of recent origin.

We realize that dollars and cents do not paint the complete picture of the racing industry. There seem to be some non-economic sporting factors which encourage the breeding and racing of horses even though the chances of breaking even are slim. However, there are some engaged in the industry who do

manage to make a profit, even a substantial profit.

Our investigations to date indicate that the revenue to be derived from an off-track betting system will likely be comparatively modest, particularly in the initial years of operation. We are also impressed by the severe financial conditions of the industry. These two features must be considered in the light of the two major research studies commissioned by the Task Force which are not at present completed. Our conclusions will, therefore, have to await our final report.

APPENDIX D

TASK FORCE ON OFF-TRACK BETTING

THE RACING INDUSTRY IN ONTARIO

AN ECONOMIC STUDY

MARCH 1972

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I. INTRODUCTION

This evaluation of the economic position of the horse racing industry in Ontario is directed to the following specific objectives:

1. Analysis of the growth of racing activity and public participation with particular emphasis on the impact of recent developments.
2. Identification of the inter-relationships between the various components of the industry (including the tracks, horse owners and breeders), and their current economic position based on prevailing levels of revenue and expense.
3. A forecast of the growth of the industry based on projections of established trends and assuming no change in overall environment.

A separate Appendix to this report, will provide estimates of the economic effects on the racetracks of the proposed provincially controlled Off-Track Betting System using data on changes in betting and attendance patterns provided by Innovative Marketing (1971) Ltd.

The analysis of the economic position of the horse owners and breeders is derived from the Woods, Gordon & Co. report of November, 1966 titled "The Racing Industry in Ontario - An Economic Study", sponsored by "The Committee of Ontario Thoroughbred and Standardbred Horse Industries". In this respect, this analysis is concerned with determining the position of the owners and breeders in 1970 and 1971 relative to 1965, though where possible historical trends have been derived from available data, generally back to 1961 and 1962. Because of a lack of

statistical data on the owners and breeders, this analysis does not purport to be a precise determination of the economic gains or losses being incurred by segments of this industry.

As referred to above, the determination of the industry position is primarily for the year 1970, the last full year for which activity and track operating statistics are available. The 1971 data are shown for purposes of comparison where available.

It will be noted that in certain tables, particularly those relating to track operations, figures for any one year for segments of the industry may not be exactly reconcilable with other areas. The differences arise mainly from the fact that consolidations of results from operations having different fiscal year ends will not agree precisely with statistics collected on a calendar year basis. These differences are small and do not affect the validity of the conclusions.

In the analysis, the race tracks classified as "major" include Greenwood, Woodbine, Fort Erie, Garden City, Mohawk, Rideau Carleton, Western Fair Association and Windsor Raceway.

The other tracks are classified as "B" and "C".

We would like to acknowledge the assistance given to us by the many people in the industry with whom we have had discussions during the course of the study.

Yours very truly,

Krohn, Gordon & Co.

JMS:RKS:RFB

II. SUMMARY

This section provides a brief summary of the current position of the racing industry and the economic condition of its main components as established by the detailed analysis contained in the report following:

The summary is organized under the following headings:

- Attendance and Wagering Trends
- Distribution of Industry Revenue
- The Race Tracks
- The Horse Owners and Breeders
- Forecast

Attendance and Wagering Trends

1. While horse racing showed substantial total attendance and wagering growth in the 1960's, it is not a dynamic growth industry. Most of the growth in the 1960's came from an increase in the "supply" of racing - i.e. increasing its availability through more tracks and longer racing meets. The growth and future prospects for racing can however only be analysed separately for the three main segments: thoroughbred, standardbred racing at major tracks and standardbred racing at minor tracks. This separation is necessary because each of these segments have had different patterns and bases for development and have different growth prospects.

2. Thoroughbred racing activity (race days) has been virtually static since 1961 while total attendance and attendance per day have shown a slight downward trend. Total wagering in real terms has been erratic but the overall trend appears to be downward. Per capita wagering in real terms has shown no perceptible trend over the 1961-70 period. The prospects are for a continuation of the existing trends, that is, slowly declining attendance and total real wagering.
3. Standardbred racing at major tracks grew rapidly between 1963 and 1966 due mainly to the opening of 3 new tracks which increased the number of racing days from 197 in 1962 to 597 in 1966. This growth represented the entry of standardbred racing into new markets. Since 1966, the growth in attendance at major tracks has been only moderate averaging 6% per annum. Total real wagering increased slowly at 2% per annum while real wagering per person per day declined at about 1% per annum. The prospects are for continued though slower growth of major track standardbred racing attendance. The slower growth forecast reflects the possibility that some degree of market saturation may have been reached by the major tracks. However, increased competitive conditions at some tracks are also a factor. A continuing decrease in real wagering per person per day is expected to result in total real wagering rising more slowly than attendance.

4. Standardbred racing at "minor" tracks increased from 73 days in 1962 to 299 days in 1970. Most of this increase was derived from the establishment of new tracks in the larger secondary centres, although some expansion of existing tracks was also a factor. Since 1962, there has been a substantial change in minor track racing from relatively short local "fair-associated" meets, to more extended meets at bigger tracks. The forecast is for a continued growth of racing days and attendance at the minor tracks. While only two new minor tracks are in prospect, the larger minor tracks have some potential for attendance growth. Total real wagering is expected to increase quite sharply as there is expected to be real growth in wagering per person per day. This growth reflects the fact that minor track wagering per person per day is relatively low (46% of major track wagering per person per day) and it is expected that this gap will close as the minor tracks' markets mature. The generally favourable growth prospects for minor track racing do not however have a significant effect on the industry in total as, in 1971, the minor tracks accounted for only 9% of total racing attendance and 4% of total wagering.
5. The levelling off of racing attendance and betting in 1970, and the decline in 1971 are apparently attributable to several factors of which off-track messenger services and general economic uncertainty are probably the most important. However, the impact of individual factors cannot be identified in statistical terms.

Distribution of Industry Revenue

1. Between 1961 and 1970, the total revenues of the racing industry (consisting of funds retained from the handle and expenditures by the public on admissions and concessions) increased from \$19.8 million to \$67.3 million. Expenditures at the track grew from 17.6% to 19.6% of these total revenues mainly due to a wider range of services being made available.
2. There have been only minor changes since 1962 in the distribution of this revenue of the racing industry. The tracks' share increased from 42.4% to 45.5% due to an increase in their share of handle and their retention of the entire rapidly growing expenditures at the track. Government (provincial and federal) participation decreased from 35% to 31.3%. While the provincial government increased its share of the handle from 6% to 7% in 1968, it gave up a substantial portion of the increased revenue as grants toward purses. The horsemen's portion has remained constant at 22.6%. While the horsemen also did not share in revenue at the track, they were able to maintain their position due to the aforementioned purse grants. Since 1968, the breeders have also directly received some portion of industry revenue through breeders awards but this has been minor.
3. Industry revenues do not provide all the funds required to support the racing industry. There is extensive subsidization of ownership and breeding operations from outside sources, the extent of which can only be broadly estimated. The possible losses in this sector are discussed in subsequent sections.

The Major Race Tracks

1. The race track's revenue is derived from a share of the handle, and all of the admission and concession revenues. The total revenues of the major tracks have increased sharply from \$22.3 million in 1965 to \$44.5 million in 1970.
2. Of the major tracks only the Jockey Club and Windsor Raceway have yielded significant returns on equity or capital in the period from 1965 to 1970 Carleton being in receivership and Western Fair a non-profit organization. The Jockey Club's return on equity over the past ten years shows no clear trend. The average return in the period 1961-8 of 12% is just below that of all Canadian companies at 12.6%. However, the returns for all Canadian companies have been rising, averaging 14.4% in the period 1965 to 1968 against 10.4% from 1961-4. The relative position of the Jockey Club has therefore deteriorated from 1965 to 1968. Comparative data are not available for all companies since 1968. The Jockey Club had high profits in 1969, above average profits in 1970 and is likely to have very low profits in 1971. Jockey Club shares have recently been exchanged for debentures as the company has changed its status to that of a non-profit organization.

Windsor Raceways return on equity has been well above that of all Canadian companies and has risen from 18% to 39.5% from 1966 to 1970. Windsor's prosperity has been built on a large U.S. clientele and it is facing increasing competition from U.S. tracks. 1971 profits are likely to be low owing to this competition and special factors.

On balance the return on investment in race tracks for the period 1961-70 appears to have been satisfactory. There are signs that 1971 results will be much less favourable.

3. The prospects for a significant improvement in the positions of the major Ontario tracks appear to be slight. Indeed, there are indications of a possible increase in competition for certain tracks e.g. Windsor from Detroit tracks, Garden City and Greenwood from the new Dundas raceway, and Fort Erie from the Erie County, New York, off-track betting system.

Horse Owners and Breeders

1. Because of differences in experience, each of these segments has been analysed separately. It is pointed out that the various loss estimates for the industry referred to below are broad estimates only. In considering the industry it is important to note that non economic factors play an important part in racing. Consequently it may be misleading to assess the state of the industry's health simply in terms of profit and loss. Allowance should be made for the intangible benefits in terms of sport, prestige and social benefits. For these reasons, reference is made to net costs or net revenues from racing rather than loss or profit.

The positions of thoroughbred and standardbred owners have deteriorated since 1965 while those of thoroughbred and standardbred breeders have improved. All sectors of the industry continue to incur substantial net costs when depreciation is taken into account.

2. The position of the thoroughbred horse owners has deteriorated since 1965. While total purses have increased from \$4.7 million to \$6.2 million, the number of horses competing has increased so that average potential winnings per horse has increased only 8% from \$3,060 in 1965 to \$3,300 in 1970. During the same period, the costs of maintenance, training and racing have increased about 20% from \$4,080 in 1965 to \$4,900 in 1970. As a result, the indicated average annual net cash costs per horse has increased from \$980 in 1965 to \$1,600 in 1970. Expressed in 1970 dollars, the indicated average annual net cash costs per horse has increased by \$416 from \$1,184 in 1965 to \$1,600 in 1970.

On the basis of the 1,870 horses competing in 1970, the owners incurred an aggregate net cash cost of \$3.0 million. In addition, the owners incurred further cost of \$3.0 million in depreciation on racing stock which has a roughly estimated value of \$9.0 million. In real terms depreciation per horse declined from some \$2,400 in 1965 to \$2,150 in 1970.

Including depreciation, total net cost per horse has increased in real terms by about \$165 from \$3,585 in 1965 to \$3,750 in 1970.

3. The thoroughbred breeders have fared somewhat better. The average annual sales price for yearlings has increased from \$3,230 in 1965 to \$5,525 in 1970. During the same period the average operating cost per yearling sold increased from \$3,100 in 1965

to \$3,855 in 1970. As a result, the return per yearling sold increased by \$1,256 from a real net cash cost of \$36 in 1965 to a net cash revenue of \$1,220 each in 1970. On the basis of total yearlings sold this represents a \$310,000 net cash revenue to breeders, including \$110,000 in breeders awards. This does not, however, cover the estimated \$2.0 million in depreciation on the roughly estimated \$20.0 million investment in breeding stock in Ontario. Comparable data showing 1965 depreciation are not available.

4. Despite these costs and the required subsidization, the overall quality of thoroughbred racing has probably improved somewhat since 1965 due to competition from U.S. horses. This is shown partly in the increase in average price per yearling which indicates an increase in the quality of horses. There has, however, been a sharp increase in the use of U.S. stud services by Ontario breeders. This reflects in part a desire to improve quality, but also to make the foal eligible for high purse stakes races as a result of having been bred in the U.S.
5. The position of the standardbred owners, excluding consideration of depreciation, has deteriorated since 1965. While total purses have increased from \$2.5 million in 1965 to \$9.7 million in 1970, the number of horses competing has increased substantially from an estimated 1,400 in 1965 to 4,400 in 1970. As a consequence the average potential winnings per horse has increased only marginally from \$1,950 in 1965 to \$2,200 in 1970. At the same

time the cost of maintaining a standardbred horse has increased an estimated 23%, from \$2,780 to \$3,420. The average annual indicated net cash costs per horse has increased from \$830 in 1965 to \$1,220 in 1970. In real terms the net cost per horse has increased by \$217 from \$1,003 in 1965 to \$1,220 in 1970, excluding depreciation charges for which 1965 data are not available. This would result in a total net cash cost of \$5.4 million in 1970, plus annual depreciation of \$1.4 million on the estimated \$13.5 million total investment in standardbred stock.

6. The standardbred breeders have improved their position in real terms, exclusive of depreciation changes. Between 1965 and 1970, the average sale price per yearling increased only marginally from \$1,513 to \$1,648. During the same period the average cost per yearling rose from \$3,070 to \$3,310, increasing the net cash cost per yearling slightly from \$1,560 to \$1,665. In real terms, breeders net costs have fallen by \$219 per horse from \$1,884 in 1965 to \$1,665 in 1970 excluding depreciation. The aggregate net cash cost of the breeding industry is approximately \$2.8 million on operations plus \$1.5 million depreciation on the estimated \$15 million investment in breeding stock. It should be noted however that in 1970 a larger portion of ownership was on a part-time or hobby basis. The average cost, therefore, may be less than the average indicated.

7. The Ontario standardbred breeding industry is not meeting the demand for horses. In 1971, Ontario owners purchased a total of 349 horses in the U.S., with a total value of \$1.5 million (\$4,200 each). The Ontario breeders are for the most part producing only lower quality horses.
8. In total, the overall quality of Ontario standardbred racing has probably deteriorated since 1965. Many major owners and breeders are operating increasingly in the U.S. The owners have the opportunity to win larger purses, and siring and breeding in the U.S. make the horses eligible for the extensive breeders awards and sire stakes programs in existence in some states.
9. It is apparent that the horse industries are being extensively subsidized by the outside income of owners and breeders. It is indicative of the sporting nature of the industry that despite increasing net costs ownership activity has been increasing. The earnings from purses cannot ever be expected to meet the costs of ownership and breeding, as higher purses would probably tend to attract more owners. However, the prospect of increased purses is important to the industry as it would tend to offset some costs and provide the element of hope necessary to attract outside funds.

Forecast

The forecast of attendance and wagering in Ontario for the period 1972-1977 has been prepared under two basic assumptions:

1. There will be no major change in the economic environment or in the structure of, or regulations covering the racing industry.
2. Off-track messenger services will be eliminated by changes in legislation and will not be replaced by a Government Controlled Off-track Betting System. The purpose behind this assumption is to estimate the "status quo" position of the racing industry in the absence of all legal forms of off-track betting.

Separate forecasts have been made for each main segment of racing, major thoroughbred, major standardbred and minor standardbred. The resulting data have been aggregated to provide an overall industry forecast. The forecast of wagering is in constant (1970) dollars.

The following table summarizes the forecasts for each segment and the total industry.

FORECAST OF ATTENDANCE AND REAL WAGERING
ALL TRACKS 1972-1977
(000)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Thoroughbred					
- attendance	1,601	1,591	1,581	1,571	1,561
- real wagering	\$114,800	\$114,100	\$113,400	\$112,600	\$111,900
Standardbred - Major					
- attendance	3,180	3,230	3,280	3,320	3,370
- real wagering	\$183,500	\$184,100	\$184,700	\$184,900	\$185,700
Standardbred - Minor					
- attendance	490	528	565	603	660
- real wagering	\$ 14,700	\$ 17,300	\$ 20,100	\$ 23,300	\$ 27,700
Total					
- attendance	5,271	5,349	5,426	5,494	5,591
- real wagering	\$313,000	\$315,500	\$318,200	\$320,800	\$325,300

This forecast must be recognized as a base projection only.

There will be year to year fluctuation caused by economic and other factors.

TABLE I

RACING ACTIVITY AND ATTENDANCE - ALL TRACKS

	<u>Total Attendance</u> <u>000</u>	<u>Racing</u> <u>Days</u>
1961	N.A.	352
1962	2,469	466
1963	2,734	562
1964	3,075	647
1965	3,351	731
1966	4,194	904
1967	4,354	963
1968	4,717	1,023
1969	4,916	1,035
1970	5,022	1,111
1971	4,900	1,132

Source: Canada Agriculture

III. RACING ACTIVITY AND PUBLIC PARTICIPATION

This section contains an analysis of trends and developments in the racing industry, and the extent of public participation. The factors analysed include the growth of racing activity and attendance, wagering and the impact of recent economic and structural changes on the industry.

In general, where reference is made to annual rates of change or growth, these have been calculated by regression analysis rather than being based on the most recent year. This type of analysis gives a more meaningful measure of the basic trends.

Racing Activity and Attendance

Table I opposite shows the growth of racing activity and attendance for the period 1962-1970. (Attendance data for standardbred racing are not available for 1961, nor are complete data yet available for 1971.)

While, as shown in Table I opposite, total racing activity (racing days) and attendance have grown significantly since 1962, this growth is the aggregate result of different developments for thoroughbred and standardbred, major and minor track racing. Since these developments have changed the "mix" of racing an analysis of total attendance is not meaningful and the data are shown only as general reference information. The analyses to follow deal separately with thoroughbred, and standardbred "major" track and standardbred "minor" track racing.

TABLE II

RACING ACTIVITY AND ATTENDANCE - THOROUGHBRED TRACKS*

	<u>Total Attendance</u> <u>000</u>	<u>Racing</u> <u>Days</u>	<u>Attendance</u> <u>Per Day</u>
1961	1,730	196	8,830
1962	1,671	196	8,520
1963	1,701	196	8,680
1964	1,677	196	8,560
1965	1,638	196	8,360
1966	1,708	196	8,720
1967	1,560	196	7,960
1968	1,613	196	8,230
1969	1,660	196	8,470
1970	1,662	197	8,440
1971	1,583	197	8,040

Source: Canada Agriculture

* Jockey Club Tracks only.

The analyses include comparisons with racing results in New York State. While it is recognized that conditions differ in many ways between Ontario and New York State, there are a number of similarities which suggest that the New York experience may be relevant to Ontario. In particular, these similarities are:

- the amounts wagered per person per day in New York State and Ontario are proportional to the differences in the per capita disposable income;
- the differences between wagering on thoroughbreds and standardbreds are the same in both areas. (In both New York State and Ontario wagering per person per day on standardbreds is 20% less than on thoroughbreds.)

These similarities in betting patterns suggest that racing patrons in New York behave in some respects in the same way as in Ontario. The trends in the New York industry, particularly in standardbred racing which has been well established much longer than in Ontario, therefore warrant consideration.

Thoroughbred Racing

Thoroughbred racing activity was virtually static between 1962 and 1971 at 196 to 197 days. As shown on Table II opposite, total attendance and attendance per day have shown a slight downward trend over the period as a whole although there have been minor departures from the trend in some years.

This attendance data strongly implies a loss of share of the leisure market especially as the population has grown substantially since 1962. It is probable that one of the reasons for this attendance trend is the sharp increase in competition from standardbred racing.

The thoroughbred attendance situation in Ontario since 1964 has some similarity with that experienced in New York State. The following is a comparison of the New York and Ontario total attendance and attendance per day experience between 1964 and 1971. To facilitate comparison these are shown as indices on the base 1964 = 100.

	Ontario		New York State	
	Total Attendance	Attendance/ Day	Total Attendance	Attendance/ Day
1964	100	100	100	100
1965	98	98	98	99
1966	102	102	97	97
1967	93	93	95	96
1968	96	96	96	96
1969	99	99	92	92
1970	99	99	96	96
1971	94	94	94	86

New York total attendance declined by about 6% from 1964 to 1971; the same percentage decline as was experienced in Ontario. Attendance per day in New York has declined by 14% over the period as a whole, somewhat higher than the 6% experienced by Ontario. In both regions, the major part of the decline came in 1971. One reason for the New York decline in attendance per day in this year may be that the total number of days racing was increased by 9% over the level of previous years. This implies a situation of market saturation. The establishment of an off-track betting system in New York has probably also contributed to the decline in attendance.

As referred to previously, the similarity in betting patterns between New York State and Ontario suggest that the market situations may be quite similar. The recent attendance trends are

TABLE III

RACING ACTIVITY AND ATTENDANCE - MAJOR STANDARDBRED TRACKS

	<u>Total Attendance 000</u>	<u>Racing Days</u>	<u>Attendance Per Day</u>
1961	N.A.	107	N.A.
1962	748	197	3,800
1963	949	269	3,530
1964	1,325	357	3,710
1965	1,616	430	3,760
1966	2,358	597	3,950
1967	2,593	590	4,400
1968	2,838	611	4,640
1969	2,969	608	4,880
1970	2,970	615	4,830
1971	2,817	587	4,799

Source: Canada Agriculture

also quite similar, thoroughbred racing being well established in both areas.

The New York experience suggests that the decline in overall public interest in thoroughbred racing in Ontario may not be a local condition, but rather due to broader consumer preference trends.

Standardbred Racing

Standardbred racing activity is divided into two categories for analysis because of differences in markets and growth patterns between them. This division of standardbred racing is by "major" and "minor" ("B and C") tracks. The economic significance of the 'C' track, as measured by attendance and wagering is very slight, hence the grouping together of 'B' and 'C' track statistics does not distort the analysis.

Major Tracks

As shown in Table III opposite, the growth of standardbred racing at major tracks has occurred in two phases. First, between 1962 and 1966, there was rapid growth of attendance largely due to the opening of new tracks. This represents a tapping of new markets by increasing the "supply" of racing, that is, making racing available to people who previously did not have convenient access to it. Since 1966, there has not been any increase in the number of major tracks offering racing and only a slight increase in the number of racing days. The rise in attendance therefore shows up as higher attendance per day and constitutes an increase in market penetration. Between 1966 and 1970, the trend in attendance per day increased an average of 5.2% per annum which is substantially greater than the growth of population during the period (2.4%).

Standardbred racing at major tracks in Ontario has grown faster than at major tracks in New York State. The following is a comparison of attendance and attendance per day for the period 1962-1970 (1962 = 100).

Attendance at Major Tracks

	Ontario		New York State	
	<u>Total</u> <u>Attendance</u>	<u>Attendance/</u> <u>Day</u>	<u>Total</u> <u>Attendance</u>	<u>Attendance/</u> <u>Day</u>
1962	100	100	100	100
1963	127	93	111	99
1964	177	98	124	108
1965	216	99	120	95
1966	315	104	125	91
1967	346	116	119	87
1968	379	122	117	87
1969	397	129	123	86
1970	397	127	124	87

The Ontario experience cannot be directly compared with New York because the 1962-70 period in Ontario represents the growth period for what was basically a new attraction to the public. In contrast, standardbred racing in New York was well established in the 1950's and, as the above attendance data indicates, has shown little growth since 1964.

There are, however, implications for Ontario in the New York situation. Since 1968 the growth in attendance at major Ontario tracks has slowed down and, as shown in Section IX of the report, the prospects are for relatively slow growth in the period ahead.

TABLE IV

RACING ACTIVITY AND ATTENDANCE - MINOR TRACKS STANDARDBRED RACING

	Total Attendance 000	Racing Days	Attendance Per Day
1961	N.A.	49	N.A.
1962	50	73	682
1963	84	97	862
1964	73	94	781
1965	97	105	919
1966	127	111	1,144
1967	201	177	1,136
1968	265	216	1,228
1969	287	231	1,243
1970	390	299	1,303
1971	461	331	1,390

Minor Tracks

The sharp increase in standardbred racing at minor tracks between 1962 and 1970 has been derived from an increase in the supply of racing available to the public and an increase in public interest as represented by increased attendance per day at established minor courses. As shown in Table IV opposite, the major portion of the growth of attendance has come from an increase in activity (supply). In the period 1966 to 1970 the attendance increase, averaging 30% per annum, was derived largely from a 25% per annum growth of racing supply. Attendance per race day increased only 4% per annum in the same period.

As a result of the rapid gain in minor track racing, it has become a growing segment of the total racing industry as shown in the following table:

	<u>"B" & "C" Track Share of Total Activity</u>	
	<u>1962</u>	<u>1970</u>
Racing days	15%	27%
Attendance	2%	9%

As the figures indicate, however, "minor" track racing is not yet a major factor in total attendance. In 1970 for example, approximately 11% of the "minor" track racing days took place at tracks within a reasonable market radius of the major tracks. However, this racing (at Dresden, Goderich, Orangeville, Woodstock and Elmira) accounted for only 4.4% of total standardbred racing attendance, an amount not large enough to improve major track attendance significantly even if it could all be diverted to them. This latter prospect is very doubtful.

TABLE V

WAGERING ACTIVITY - ALL TRACKS

	TOTAL AMOUNT WAGERED		WAGERED PER PERSON	
	\$000		PER RACING DAY	
	In Constant 1970 \$	In Current \$	In Constant 1970 \$	In Current \$
1961	136,900	105,600	N/A	N/A
1962	149,600	116,700	60.60	57.30
1963	169,800	134,900	62.10	49.35
1964	194,300	157,000	63.20	51.05
1965	217,085	179,700	64.80	53.65
1966	268,900	230,900	64.10	55.10
1967	278,700	248,000	64.00	56.95
1968	291,300	269,800	61.80	57.20
1969	305,400	295,700	62.10	60.15
1970	302,400	302,400	60.20	60.20
1971	283,400	292,400	57.80	59.70

Source: Canada Agriculture

It appears unlikely that the 30% per annum growth in minor track attendance experienced since 1966 will continue. As indicated previously, much of the growth during this period has come from expanding the supply of racing. Since most major markets are now covered, further expansion from this source is probably limited and the growth rate can be expected to slow down. Minor track data from New York State are not immediately available for comparison.

Wagering

Table V opposite shows wagering activity for the period 1961-1970. As in the case of attendance reviewed previously, the trends exhibited are not particularly meaningful in themselves as they are influenced greatly by changes in the mix of types of racing. The analysis to follow covers the components, thoroughbred racing and standardbred racing at "major" and "minor" tracks.

Data are shown in current dollars and constant dollars. The latter data are calculated by adjusting for changes in purchasing power, as measured by the consumer price index. The adjustment is only an approximate one but it incorporates the assumption that wagering behaviour is influenced by inflation - i.e. dollar volumes are inflated. The adjustment is approximate in part because the consumer price index (although the best available) cannot be regarded as a precise measure of inflation as it affects bettors but partly, too, because wagering in Ontario by U.S. citizens is significant. U.S. inflationary trends have not directly paralleled those in Canada.

TABLE VI

WAGERING ACTIVITY - THOROUGHBRED TRACKS*

	TOTAL AMOUNT WAGERED		WAGERED PER PERSON	
	\$000		PER RACING DAY	
	In Constant 1970 \$	In Current \$	In Constant 1970 \$	In Current \$
1962	116,000	90,480	69.50	54.20
1963	121,500	96,480	71.40	56.70
1964	123,100	99,470	73.40	59.30
1965	123,100	101,870	75.10	62.20
1966	121,800	104,650	71.40	61.30
1967	112,600	100,170	72.20	64.20
1968	110,600	102,440	68.60	63.50
1969	117,700	113,980	70.90	68.60
1970	120,090	120,090	72.30	72.30
1971	109,500	113,000	69.30	71.50

Source: Canada Agriculture

* Jockey Club Tracks only

Thoroughbred Racing

It was noted previously that thoroughbred racing attendance had shown a slight downward trend from 1961 to 1971. As shown in Table VI opposite, total wagering in constant 1970 dollars shows an erratic pattern, reflecting changes in attendance per day and wagering per person per racing day. Over the period as a whole the overall trend is slightly downward but, if 1971 experience is excluded as not representative because of special factors, the trend is almost level. The average annual amount wagered from 1961 to 1970 is \$118 million per year. Per person wagering in constant dollars shows a similar slight down trend over the period as a whole and a level trend over the 1962-70 period at about \$71.70.

A comparison of Ontario thoroughbred wagering experience with New York State shows that the two regions have had essentially the same experience in real terms since 1964. This year is chosen as the base year for comparisons because by 1964 the New York system reached a period of relative stability in terms of the number of racing days offered. The following comparison is based on 1964 = 100.

Comparison of Real Wagering

	<u>Ontario</u>		<u>New York State</u>	
	<u>Total</u>	<u>Per Person Per Day</u>	<u>Total</u>	<u>Per Person Per Day</u>
1964	100	100	100	100
1965	101	103	97	99
1966	99	97	94	96
1967	91	98	91	95
1968	90	93	92	95
1969	96	97	88	95
1970	98	99	89	92
1971	89	94	85	90

TABLE VII

WAGERING ACTIVITY - MAJOR TRACKS STANDARDBRED RACING

	TOTAL AMOUNT WAGERED		WAGERED PER PERSON	
	\$000		PER RACING DAY	
	In Constant 1970 \$	In Current \$	In Constant 1970 \$	In Current \$
1961	20,500	15,780	N/A	N/A
1962	33,100	25,830	44.20	34.50
1963	47,500	37,750	50.10	39.80
1964	70,100	56,660	53.00	42.80
1965	92,500	76,568	57.30	47.40
1966	144,600	124,200	61.30	52.70
1967	162,400	144,450	62.60	55.70
1968	174,600	161,720	61.60	57.00
1969	180,600	174,790	60.90	58.90
1970	172,700	172,740	58.20	58.20
1971	159,300	164,387	56.60	58.40

Source: Canada Agriculture

The amount wagered per person per day in 1970 averaged only \$72 in Ontario as compared with \$110 in New York. This difference in per capita wagering per day (Ontario being 66% of New York in 1970) shows a close relationship to the difference in per capita disposable incomes between the two areas (Ontario = 70% New York).

Standardbred Racing

Major Tracks

The growth since 1962 in total wagering, as shown in Table VII opposite, reflects the substantial rise in attendance discussed earlier and a rise in real per capita wagering from \$44 to \$57. Since 1966, real wagering per person per day at major tracks has declined at an average rate of 1% per annum. It is interesting to note that standardbred wagering per person per day (\$58.36 in 1971) is considerably less than for thoroughbred (\$71.50). This difference in wagering patterns may reflect differences in the attendees at the two types of racing. For example, more family groups may go to standardbred races than to thoroughbred races, thus reducing per capita wagering at the former. However, in the absence of data such conclusions must be purely speculative.

Real wagering per person per day at the major standardbred tracks has grown more rapidly in Ontario than in New York State since 1962; this is shown in the following table, (1962 = 100).

TABLE VIII

WAGERING ACTIVITY - MINOR TRACKS STANDARDBRED RACING

	TOTAL AMOUNT WAGERED		WAGERED PER PERSON	
	\$000		PER RACING DAY	
	In Constant 1970 \$	In Current \$	In Constant 1970 \$	In Current \$
1961	300	230	N/A	N/A
1962	530	410	10.40	8.10
1963	830	660	9.90	7.90
1964	1,040	840	14.20	11.50
1965	1,540	1,270	15.80	13.10
1966	2,430	2,090	19.20	16.50
1967	3,830	3,410	19.00	16.90
1968	6,070	5,620	22.90	21.20
1969	7,140	6,910	24.90	24.10
1970	9,520	9,520	24.40	24.40
1971	12,430	12,830	26.90	27.80

Source: Canada Agriculture

Comparison of Real Wagering

	<u>Ontario</u>		<u>New York State</u>	
	<u>Total</u>	<u>Per Person Per Day</u>	<u>Total</u>	<u>Per Person Per Day</u>
1962	100	100	100	100
1963	143	113	109	99
1964	212	120	124	101
1965	281	130	121	102
1966	437	139	126	101
1967	490	141	123	102
1968	528	139	120	102
1969	545	138	126	99
1970	522	132	123	96
1971	481	128	118	96

Despite the rapid growth in Ontario, the level of wagering per person per day in Ontario, at \$58 in 1971, remains far below the \$92 per person per day experience in New York. However, this difference may arise from the difference in per capita disposable incomes which, again, is close to the same ratio.

Standardbred wagering per person per day in 1971 was approximately 82% of thoroughbred wagering per person per day. This relationship is almost exactly the same as existed in New York State in 1971. As referred to previously, this similarity in betting patterns is a factor which leads to the conclusion that the New York experience may be relevant to Ontario.

Minor Tracks

Total wagering on standardbreds at the minor tracks has increased sharply as shown in Table VIII opposite. The growth reflects rising attendance and increased per capita wagering. The average growth in real total wagering since 1965 has been 41% per annum.

This gain has been derived in part from the 30% increase in attendance but also from an 8.7% average annual increase in wagering per person per day. While this growth is substantially higher than experienced at major tracks, it should be noted that minor track wagering per person per day of \$26.90 in 1971 is considerably lower than the major track average of \$58.40. This lower per capita wagering level at minor tracks has tended to offset the large wagering gain which might have been expected from the large growth in attendance. In 1971, minor tracks accounted for 9% of total racing attendance but only 4.4% of total wagering.

Impact of Recent Developments

1971 and, to a lesser extent, 1970 were difficult years for the major race tracks. Total attendance at all Ontario tracks declined 2.4% in 1971 and rose less in 1970 (2%) than it has in any year in the previous decade. Total wagering in current dollars exhibited the same general tendencies while the constant dollar amount declined in both 1970 and 1971. Both thoroughbred and major standardbred tracks shared in the general slowdown of 1970 and decline of 1971 but the minor tracks maintained their fast growth.

A number of reasons have been cited for the experience of the last two years, including off-track messenger services and the general economic situation. The purpose of this section is to attempt to determine to what extent these factors were responsible for the 1970 slowup and 1971 downturn.

As mentioned earlier, drawing conclusions from the data for all Ontario race tracks can be misleading, although this is less true in recent years because there have been few changes on the supply side and less of a change in the mix of racing as between standardbred and thoroughbred. Furthermore, it is clear that in certain parts of Ontario racing was not affected by the course of the Ontario economy or by off-track messenger services so much as by special factors. An attempt was made to eliminate the effects of these special factors by producing a new data series as follows.

First of all, the minor tracks results were excluded from consideration partly because, owing to changes on the supply side, they have been exhibiting such a strong growth trend that the effects of off-track messenger services and the slowdown in the economy are imperceptible.

Second, the results of Windsor Raceway have been excluded. About 85% of Windsor's patrons are from the U.S., wager in U.S. funds and are paid in U.S. funds. It is assumed that they are not directly affected by off-track betting or by changes in the Canadian economy. In addition in 1971, Windsor's results were subject to abnormal influences because in that year the track held a short thoroughbred meet for the first time and also temporarily shortened its standardbred meet.

Third, the estimated attendance and wagering of U.S. citizens at Fort Erie and Garden City were excluded on the same grounds as for Windsor. It was assumed on the basis of 1970 and 1971 data that the U.S. share at Fort Erie was 50% from 1965 to 1971 and 25% at Garden City.

Finally, the 1966 Ottawa data were adjusted downwards to eliminate the effects of the extended racing season in that year following the fire at the Hull track.

On this basis the total attendance and wagering data were as follows:

<u>Attendance and Wagering - Major Tracks Revised</u>							
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Attendance 000	2,751	3,034	3,245	3,455	3,545	3,558	3,467
Wagering \$ Million							
Current \$	149.3	166.1	184.5	196.7	213.7	216.2	210.4
Constant (1970) \$	180.4	193.4	207.4	212.4	220.8	216.2	204.3

It will be noted that the revised data shows the same general trend as the unadjusted data, namely a slowdown in 1970 and a decline in 1971. However, the extent of the decline in both attendance and wagering for the revised data is less than for the unadjusted series. Attendance declined by 81,000 between 1970 and 1971 according to the revised series, while the unadjusted series shows a decline of 122,000. Similarly, wagering in current \$, according to the revised series, declined by \$5.8 million between 1970 and 1971, whereas the unadjusted series declined by \$10 million. The smaller declines indicated by the revised data suggests that a large part of the decline in attendance and handle as shown by the unadjusted series was caused by factors other than off-track betting services and the general trend of the Canadian economy, namely declines in U.S. attendance and wagering and special factors at Windsor.

The question then arises as to what extent the declines in attendance and wagering indicated by the revised data series can be explained by the general trend of the Canadian economy and off-track messenger services.

So far as attendance changes are concerned an attempt was made to examine attendance trends in other spectator sports, such as hockey and football, but these data are not readily available. Moreover, as far as the major leagues are concerned, such as the N.H.L. or the C.F.L., attendances tend to reflect the standing of the team as much as any other factor.

The Toronto Argonauts, which have had improved teams in recent years also experienced improved attendances in 1970 and 1971. The Toronto Maple Leafs regularly report capacity crowds, because most seats are reserved for the season, although it appears that in the last few years not all these reserved seats are occupied owing to the relatively low quality of play.

Turning to the revised wagering data, an attempt was made to determine the effects of off-track betting by examining the relationship between wagering and personal disposable income.

In Appendix I to this report, it is concluded that although there is a high correlation between personal disposable income and total wagering, the relationship is not necessarily causal because of changes on the supply side and other special factors. It is also concluded that there may be a causal relationship between per capita wagering on each type of racing and per capita disposable income. So far as the

relationship between the revised wagering data and personal disposable income is concerned, it is argued here that by eliminating the results of minor tracks, Windsor and U.S. attendance from consideration, and by considering only the period since 1965 when the majority of the increase in the supply of racing was achieved, it is reasonable to expect that the relationship is causal.

It would therefore be expected that whatever relationship existed between the revised wagering from 1965 to 1969 would not change significantly in 1970 or 1971 unless some extraneous factor were at work. However, as the table below indicates, the percentage of personal disposable income devoted to wagering after being relatively stable at 1.06% to 1.08% from 1965 to 1969, declined in 1970 and more sharply in 1971.

Wagering as % of Ontario Personal Disposable Income

1965-1971 Revised Data

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Wagering \$ Million	149.3	166.1	184.5	196.7	213.7	216.2	210.0
Personal Disposable Income \$ Million	14119.0	15624.0	17027.0	18381.0	20144.0	21572.0	23460.0
%	1.06	1.06	1.08	1.07	1.06	1.00	0.90

* Estimated

It is tempting to conclude that an extraneous factor, namely off-track messenger services, has caused a major part of this decline. If wagering had been at the 1.06% level in both 1970 and 1971, the total wagered would have risen by about \$13 million in 1970 and by about \$38

million in 1971. These estimates only give a rough order of magnitude since a 5 year time series is too short to support definitive conclusions.

Relating wagering to personal disposable income implicitly excludes the effects of general economic factors since income itself will tend to move with general state of the economy. Uncertainty caused by high rates of unemployment and the general economic outlook, is not taken into account, however, and part of the percentage decline in wagering may also be attributed to this factor.

Another point to consider is that part of the decline can be attributed to random variations which can be expected in most data series.

A more detailed examination of attendance and wagering patterns at individual tracks does not allow more definite conclusions to be drawn as to the impact of off-track messenger services.

It would be expected that the impact of off-track betting would be as follows:

1. Track attendance would decline as it would no longer be necessary to attend in order to bet.
2. Wagering per person (attending the track) per day would increase as off-track betting would increase the pool for the same or smaller attendance. The extent to which this would happen would depend on two factors:

- (a) The extent to which off-track bets were reaching the track;
- (b) The nature of the off-track bettor e.g. the off-track bettor may bet less off-track than he would as a track patron.

An indication of the impact may be derived from an examination of attendance and betting patterns at the Toronto and London tracks, where the opportunities for off-track betting are relatively good.

Attendance and Wagering Patterns
Toronto and London Tracks
1968-71
1968 = 100

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
London				
- attendance/day	100	107	99	93
- handle/person/day	100	105	105	105
Greenwood (standardbred)				
- attendance/day	100	100	103	105
- handle/person/day	100	107	104	107
Woodbine				
- attendance/day	100	108	112	106
- handle/person/day	100	107	114	113
Greenwood (thoroughbred)				
- attendance/day	100	91	86	86
- handle/person/day	100	112	112	109

As a basis for comparison the results for Windsor which did not have any off-track betting, and New York State and Michigan, are shown in the table overleaf.

Attendance and Wagering
Windsor, New York and Michigan
 1968 = 100

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
<u>Windsor</u>				
Attendance/day	100	108	105	102
Handle/person/day	100	102	104	104
<u>Michigan - Major Tracks</u>				
Attendance/day	100	98	108	94
Wagering/person/day	100	105	104	105
<u>New York - Major Tracks</u>				
Attendance/day	100	97	99	93
Wagering/person/day	100	104	108	110

The Metro Toronto area had approximately 47 messenger outlets in 1969, 60 in 1970 and 55 in 1971 (November of each year). In June 1970, the number was up to 120, but declined sharply thereafter due to stricter regulation. The number in London was 2 in 1969, none in 1970 and 2 in 1971, although these numbers have fluctuated from time to time.

Of the four racing operations analysed which could have been expected to be influenced by messenger shops, (3 Toronto and London) only two, Woodbine and London, suffered attendance declines in 1971. The extent to which the messenger services were responsible for this decline cannot be estimated. Only one of the tracks suffering attendance declines also suffered a decline in wagering per person per day. Greenwood (thoroughbred) which had a constant attendance per day experienced a decline in wagering per person per day.

Windsor which did not have messenger service activity in the area also suffered a decline in attendance. However, this is probably due to influences in its predominantly U.S. market, 1970 being affected by the G.M. strike and by increased competition from U.S. tracks.

In both New York and Michigan, wagering per person per day increased in 1971 despite attendance declines. The New York per capita wagering increase occurred despite the introduction of the New York City OTB service in 1971.

In summary, no conclusions can be drawn as to the relative impact of off-track messenger services on Ontario race tracks wagering and attendance.

Racing Activity and Public Participation - Conclusions

1. The horse racing industry in Ontario is not the dynamic growth industry that the overall growth in attendance and wagering might indicate. The growth since 1962, and particularly since 1966 has been derived largely from entry into new markets, rather than from an intensification of public interest.
2. Thoroughbred racing attendance is declining slowly, although the impact of this decline is being slightly more than offset by an increased wagering per person. The stagnation of Ontario thoroughbred racing interest closely parallels the industry performance in New York State. This broader experience raises the basic question as to whether thoroughbred racing in its present form is competitive with other entertainment alternatives.

3. Ontario standardbred racing has provided all the attendance growth and most of the wagering growth since 1962. However, at major tracks the growth has levelled off since 1968. It is possible that standardbred racing at the major Ontario tracks is approaching market saturation, as in New York where a more mature industry has not seen any attendance growth since 1964.
4. Standardbred racing at minor tracks will probably continue to show growth. However, the impact of minor track attendance increases on total wagering will be relatively small because wagering per person per day at minor tracks is less than one half the major track wagering. There is no statistical evidence that the growth of minor track racing has significantly affected attendance at major tracks.
5. The racing industry requires a very comprehensive examination of its markets and marketing strategies to identify the factors underlying its diminishing overall growth, and in the case of thoroughbred racing, its attendance decline. While economic conditions, off-track messengers and local conditions may have been factors in the recent decline, the longer-term prospects for attendance growth do not appear to be good, particularly if the New York experience can be regarded as comparable.

IV - ECONOMIC STRUCTURE OF THE RACING INDUSTRY

The overall structure of the racing industry was described in the Woods, Gordon & Co. report of November, 1966, and forms the basis for the analysis that follows. The principal constituent elements of the industry which are discussed in this report are shown below, together with their associated revenues and expenditures:

<u>Component</u>	<u>Revenue</u>	<u>Expenditures</u>
Track	Admissions Track concessions Share of handle	Wages Supplies and services Fees to O.R.C. Purses Income taxes Interest and dividends Capital expenditures
Provincial Government (inc. ORC)	Tax on handle Fees from tracks Entertainment and sales taxes	Administrative and regulation expense Purse grants Breeders awards Research grants
Federal Government	Tax on handle	Regulation expense (film patrol and sample analysis)
Horse Owners	Purses (inc. Provincial grants)	Purchase of racing stock Horse maintenance Training
Horse Breeders	Sale of racing stock Breeders awards	Maintenance of breeding stock and foals Improvement costs (stud fees and nomination fees.

The ultimate market for the racing industry is the public, whose expenditures in the form of wagering, admission fees and purchases of track goods and services provide most of the revenues to

SOURCE AND APPLICATION OF REVENUES
ARISING FROM PUBLIC EXPENDITURE
AT RACE TRACKS

CURRENT \$

\$ Millions

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
SOURCE OF FUNDS										
Total Wagered	105.3	116.3	134.9	157.0	179.7	230.9	248.0	269.8	295.7	302.4
Less: Returned as Winnings	<u>89.0</u>	<u>98.3</u>	<u>114.0</u>	<u>132.6</u>	<u>151.8</u>	<u>195.1</u>	<u>209.6</u>	<u>224.1</u>	<u>244.0</u>	<u>248.3</u>
Retained from Wagering	16.3	18.0	20.9	24.4	27.9	35.8	38.4	45.7	51.7	54.1
Expenditures at Track ⁽¹⁾	<u>3.5</u>	<u>4.2</u>	<u>4.7</u>	<u>5.5</u>	<u>6.1</u>	<u>8.8</u>	<u>10.5</u>	<u>11.4</u>	<u>12.8</u>	<u>13.2</u>
Total - Industry Revenue	<u>19.8</u>	<u>22.2</u>	<u>25.6</u>	<u>29.9</u>	<u>34.0</u>	<u>44.6</u>	<u>48.9</u>	<u>57.1</u>	<u>64.5</u>	<u>67.3</u>
APPLICATION OF FUNDS										
Provincial Government:										
Share of handle	6.3	7.0	8.1	9.4	10.8	13.9	14.9	18.4	20.7	21.2
Fees, licenses	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
	6.4	7.1	8.3	9.5	10.9	14.1	15.1	18.6	20.9	21.4
Less: Awards and Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>1.8</u>	<u>1.8</u>
Share of Revenue	<u>6.4</u>	<u>7.1</u>	<u>8.3</u>	<u>9.5</u>	<u>10.9</u>	<u>14.1</u>	<u>15.1</u>	<u>18.3</u>	<u>19.1</u>	<u>19.6</u>
Federal Government	<u>0.5</u>	<u>0.6</u>	<u>0.7</u>	<u>0.8</u>	<u>0.9</u>	<u>1.2</u>	<u>1.2</u>	<u>1.3</u>	<u>1.5</u>	<u>1.5</u>
Tracks:										
Share of handle	9.5	10.5	12.1	14.1	16.2	20.8	22.3	25.9	29.5	31.3
Expenditures at Track ⁽¹⁾	<u>3.5</u>	<u>4.2</u>	<u>4.7</u>	<u>5.5</u>	<u>6.1</u>	<u>8.8</u>	<u>10.5</u>	<u>11.4</u>	<u>12.8</u>	<u>13.2</u>
	<u>13.0</u>	<u>14.7</u>	<u>16.8</u>	<u>19.6</u>	<u>22.3</u>	<u>29.6</u>	<u>32.8</u>	<u>37.3</u>	<u>42.3</u>	<u>44.5</u>
Less: Purses	4.5	5.3	5.8	6.5	7.4	9.4	10.2	10.5	12.6	13.7
Licenses	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
	<u>4.6</u>	<u>5.4</u>	<u>6.0</u>	<u>6.6</u>	<u>7.5</u>	<u>9.6</u>	<u>10.4</u>	<u>10.7</u>	<u>12.8</u>	<u>13.9</u>
Share of Revenue	<u>8.4</u>	<u>9.3</u>	<u>10.8</u>	<u>13.0</u>	<u>14.8</u>	<u>20.0</u>	<u>22.4</u>	<u>26.6</u>	<u>29.5</u>	<u>30.6</u>
Horse Owners: Purses	4.5	5.3	5.8	6.5	7.4	9.4	10.2	10.5	12.6	13.7
Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>1.6</u>	<u>1.5</u>
Share of Revenue	<u>4.5</u>	<u>5.3</u>	<u>5.8</u>	<u>6.5</u>	<u>7.4</u>	<u>9.4</u>	<u>10.2</u>	<u>10.7</u>	<u>14.2</u>	<u>15.2</u>
Breeders (Awards)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>

Note: (1) Major tracks only expenditures are net of sales tax.

Sources: Canada Agriculture; major track accounts; Ontario Government Accounts.

the components of the industry shown above. Other sources of funds include the expenditures incurred by horse owners and breeders which are in excess of the revenues they obtain from the racing industry. The fact that part of the "supply" side of the industry is prepared to subsidize its participation in racing makes it somewhat difficult to apply strict economic criteria to the industry. A third source of funds is the public in its role as investor.

The remainder of this section of the report examines the distribution of the revenues arising from the public in the form of wagering, admissions and services for the period 1961-1970. The industry's funds from other sources, i.e. subsidies and investments, are analyzed in later chapters, together with the expenditures of the components listed earlier.

Source and Application of Revenues
Arising from Public Expenditures at Race Tracks

Table IX opposite shows the expenditures by the public on horse racing from the years 1961-1970, and the distribution of these expenditures between governments and the various components of the industry.

Total expenditures by the public have increased from \$19.8 million in 1961 to \$67.3 million in 1970. These expenditures include funds retained from the handle (total wagered less amount returned as winnings) and expenditures at the tracks for admissions and services.

Funds retained from the handle increased from \$16.3 million in 1961 to \$54.1 million in 1970, in which year they constituted 80% of total industry revenue. A minor part of this increase is attributable to a structural change in which an increase in the provincial government and track share reduced the proportion of funds wagered returned from 84.5% prior to 1968 to 82.1% in 1970.

Expenditures at the track (net of sales taxes) increased from \$3.5 million in 1961 to \$13.2 million in 1970, at a slightly faster rate than the increase in funds retained from the handle. Nevertheless, at 20%, these expenditures still constitute a relatively minor part of total revenues.

The foregoing revenues of the racing industry are distributed to the Provincial and Federal governments, the track and horse owners and breeders. It will be noted from Table IX opposite the previous page, that some of this distribution is indirect, such as purses which pass through the tracks to the owners. The following is a brief summary of the major changes in distribution.

Provincial Government:

The Provincial Governments share of funds has increased from \$6.4 million in 1961 to \$19.6 million in 1970. However, this represents a decrease in the share of total industry revenue from 32.3% in 1961 to 29.1% in 1970. The 1% increase in share of handle taken since 1968, has been partially offset by purse assistance and breeders awards. Also, the Provincial Government has not shared in "expenditures at the track", as shown in Table IX opposite the previous page, since these data are net of sales taxes.

Federal Government:

While the Federal Government share of revenue increased from \$0.5 million in 1961 to \$1.5 million in 1970, this represents a slight decline from 2.5% of industry revenue in 1961 to 2.2% in 1970. The Federal Government's share of handle has remained constant at 0.5%, but like the Provincial Government it has not shared in the increasing expenditures at the track, as shown in Table IX opposite page 35, because these data are net of sales tax.

Tracks:

The revenues of the major tracks have increased from \$8.4 million in 1961 to \$30.6 million in 1970. This represents an increase from 42.4% of industry revenue in 1961 to 45.4% in 1970. This increase arose from two factors. First, the tracks' increase in share of handle in 1968, resulted in the tracks having a 10.3% share of the handle in 1970 as compared with 9% in 1961. Secondly, the tracks received all of the (net of tax) expenditures at the track by the public, which due to a wider range of services offered and higher prices, grew more rapidly than the handle.

Horse Owners:

The horse owners' share of industry revenue derived from purses related to the handle, increased from \$4.5 million in 1961 to \$15.2 million in 1970. These amounts constitute a relatively constant 22.6% of industry revenues. The horse owners' share of industry revenues would have declined to 20.4% by 1970, except for the Provincial Government purse grants instituted in 1968, which in 1970 provided approximately 10% of horse owners revenues.

Breeders:

The breeders main source of income is not directly from wagering or track attendance as for the other segments of the industry, but from sale of racing stock to the owners. However, the breeders awards instituted in 1968 do provide a very minor degree of assistance.

The sections to follow will examine in detail the revenue and expenditures of each of the foregoing components of the industry.

V - GOVERNMENT

The government accounts (both Provincial and Federal) have been divided into two categories for analysis:

- Industry Accounts, including all revenues and expenses arising from taxes and costs unique to the racing industry.
- General Accounts, including revenues derived from the racing industry under general tax laws.

Provincial Government

The following is a summary of the position of the Province for both the "industry" and "general" accounts as defined above.

Industry Accounts

The Provincial government revenues from racing are derived from a tax on the handle, and track license and registration fees paid to the Ontario Racing Commission. The expenditures include ORC administrative costs, purse assistance, breeders awards and research grants. The following is a summary of these items for the years 1961, 1965, and 1970. The amounts are expressed in thousands of dollars.

	<u>1961</u> \$000	<u>1965</u> \$000	<u>1970</u> \$000
Amount Wagered	\$105,329.0	\$179,705.3	\$302,357.2
Provincial Tax - %	6	6	7
Tax Revenues	\$ 6,319.8	\$ 10,782.3	\$ 21,165.0
ORC fees, licenses	<u>119.2</u>	<u>128.8</u>	<u>204.4</u>
Total Revenues	\$ 6,439.0	\$ 10,910.1	\$ 21,369.4
Expenditures			
ORC operations	174.1	222.2	400.5
Purse Assistance	-	-	1,464.9
Breeders Awards	-	-	314.9
Research Grants	<u>-</u>	<u>-</u>	<u>25.0</u>
Total Expenditures	174.1	222.2	2,105.3
Net Revenue from Racing	\$ 6,264.9	\$ 10,687.9	\$ 19,264.1
Net Revenue/Amount Wagered %	5.9	6.0	6.4

The Provincial government's net revenue from racing rose from approximately \$6.3 million to \$19.3 million in the period shown and, in relative terms, increased from 5.9% of the amount wagered in 1961 to 6.0% in 1965 and 6.4% in 1970. This relative gain resulted mainly from the 1% increase in the tax on the handle instituted in 1968 which in 1970 brought in \$3.0 million in added revenue, more than offsetting the \$1.8 million in additional disbursements in the form of purse assistance and breeders awards.

The Provincial government's total revenue from wagering of \$21.4 million in 1970 constituted approximately 0.6% of the Province's net general revenue in that year.

General Account

The Provincial government general account revenues arise from the racing industry taxes on admissions, sales and income. These taxes are not unique to the racing industry, but would be affected by any decline or increase in racing activity.

There are no specific expenditures which can be charged against these revenues. However, it should be noted that where certain segments of the industry are suffering losses, these losses will to some extent be deducted from other private source income resulting in a loss of income taxes. In any calculation of income tax contribution of the racing industry, the existence of such deductions must be borne in mind.

The following is a summary of the tax contribution of the "major" tracks:

	<u>1961</u>	<u>1965</u>	<u>1970</u>
	\$000	\$000	\$000
Total Income Tax	\$650	\$1,020	\$3,350
Provincial Income Tax - %	21.15	21.15	22.47
Provincial Income Tax	137	216	753
Admissions Taxes	190	281	531
Liquor and Sales Taxes	<u>32</u>	<u>95</u>	<u>386</u>
Total	<u>\$359</u>	<u>\$ 592</u>	<u>\$1,670</u>

There are in addition second-round tax revenues from taxes paid by suppliers and employees of the various segments of the industry.

Federal Government

The federal government taxation of the racing industry consists primarily of a 0.6% tax on the handle plus the taxes on income shown above. In 1970, the tax on handle yielded \$1,512,000. In return, the Federal Government provides certain regulatory services, mainly chemical analysis, the operation of the film patrol, policing by the RCMP and resident auditors. It appears that the Federal Government may have had a deficit on these operations, which prompted the recent 0.1% increase in the tax on handle. The amounts involved are relatively small in relation to the other segments of the industry, and are not analyzed further here.

TABLE X

SUMMARY OF CONSOLIDATED OPERATING RESULTS:
MAJOR TRACKS
1961-1970

CURRENT \$	\$	<u>1961</u>	%	\$	<u>1962</u>	%	\$	<u>1963</u>	%	\$	<u>1964</u>	%
<u>Revenue</u>												
Commissions and Break	10,400	73.9		11,200	71.6		12,840	72.1		14,937	71.6	
Admissions	2,033	14.4		2,510	16.0		2,636	14.8		3,027	14.4	
Concessions	1,487	10.6		1,659	10.6		2,057	11.6		2,538	12.2	
Other Income	<u>158</u>	<u>1.1</u>		<u>263</u>	<u>1.8</u>		<u>264</u>	<u>1.5</u>		<u>310</u>	<u>1.1</u>	
		<u>100.0</u>			<u>100.0</u>			<u>100.0</u>			<u>100.0</u>	
Total	14,078			15,632			17,797			20,813		
<u>Disbursements</u>												
Purses	4,482	31.8		4,991	31.9		5,470	30.7		6,359	30.1	
Operating Costs:												
Wages and Salaries	2,581)			2,835)			3,120)			3,715)		
Supplies and Services	2,909)	38.4		3,350)	39.6		3,934)	39.6		4,749)	40.1	
Municipal Taxes	483	3.4		636	4.1		743	4.2		845	4.0	
Fees:												
ORC	55)			69)			80)			93)		
Canadian Trotting)	0.5)	0.6)	0.7)	0.5	
Association	<u>18)</u>			<u>26)</u>			<u>40)</u>			<u>64)</u>		
Total Operating Disbursements	<u>10,528</u>	74.7		<u>11,907</u>	76.2		<u>13,387</u>	75.2		<u>15,825</u>	76.1	
Net Cash Flow from Operations	3,550	25.3		3,725	23.8		4,410	24.8		4,988	24.0	
Interest and Dividends	1,556			1,782			1,884			2,087		
Income Taxes	650			660			960			1,080		
Capital Expenditures (expenditures less disposals)	N.A.			N.A.			N.A.			N.A.		
Balance - Funds to or (from) Equity, Working Capital and/or Debt	N.A.			N.A.			N.A.			N.A.		

Note : 1963 and 1964 results exclude Carlton
Source: Track accounts

1965			1966			1967			1968			1969			1970		
	%	\$		%	\$		%	\$		%	\$		%	\$		%	\$
72.1		21,982	70.6		24,292	69.0		26,032	68.9		29,250	68.6		31,687	69.7		34,117
13.7		4,142	13.3		4,306	12.2		4,646	12.3		5,421	12.7		5,609	12.3		5,787
12.8		4,676	15.0		6,216	17.7		6,724	17.8		7,430	17.4		7,653	16.8		7,876
1.4		369	1.1		393	1.1		360	1.0		546	1.3		546	1.2		546
100.0			100.0			100.0			100.0			100.0			100.0		
		31,169			35,207			37,762			42,647			45,495			48,346
31.2		9,285	29.8		10,167	28.8		10,970	29.0		12,298	28.8		13,207	29.0		14,116
41.7		5,522)	42.8		6,778)	45.0		7,171)	44.2		7,881)	42.8		9,046	44.5		9,955
		7,820)			9,088)			9,529)			10,369)			11,222)			12,073
4.4		1,258	4.0		1,455	4.1		1,579	4.2		1,610	3.8		2,029	4.5		2,438
0.7		125)	0.7		129)	0.7		130)	0.7		130)	0.6		132)	0.6		132)
		95)			112)			126)			132)			145)			158)
78.0		24,105	77.3		27,729	78.7		29,505	78.1		32,420	76.0		35,781	78.6		39,142
22.0		7,064	22.7		7,478	21.3		8,257	21.9		10,227	24.0		10,164	21.4		10,929
		2,660			3,056			1,599			2,478			2,215			2,970
		2,045			2,107			2,618			3,698			3,350			4,043
		3,987			1,845			1,205			2,109			6,448			7,557
		(1,628)			470			2,835			1,942			(1,849)			2,983

VI - RACE TRACKS

This section presents an analysis of the revenues, operating disbursements, net cash flow from operations and return on investment of Ontario race tracks. The analysis covers only the eight* major tracks. Data from the minor 'B' and 'C' tracks are not readily available but, for the purpose of examining racing as an 'industry', the omission is not significant since these tracks constitute a relatively minor part of Ontario racing. A brief assessment of the market position of each major track is also included, primarily to illustrate the relative importance of each in the Ontario racing industry.

Table X opposite, summarizes the consolidated operating results of the major tracks for the period 1961-1970. The data shown for any particular calendar year are derived from individual tracks financial statements and may be for periods of more or less than a year, or for fiscal years which do not correspond exactly to calendar years. For these reasons data in this table are not precisely reconcilable to the other tables in this report. However, the distortions arising from these approximations are not considered significant enough to affect the validity of the analysis.

Track Revenue

As shown in Table X opposite, total track revenue has increased from \$14.1 million in 1961 to \$45.5 million in 1970, a 14%

* Woodbine, Greenwood, Fort Erie, Garden City, Mohawk, Windsor, Western Fair and Carleton

average annual growth rate. All constituents of revenue have grown substantially over the period although their relative importance has changed. Receipts from commissions and the break constitute the major part of track revenue, although they have declined over the period from 73.9% of the total to 69.7%. Admission revenues have also declined somewhat in importance, from 14.4% to 12.3%. Concession revenues (food, alcohol, programmes and parking) have increased from 10.6% to 16.8% of total revenue. (The concession revenue data contain some estimates as most tracks rent out these functions and complete data were not available from the concessionaires.) The increasing importance of concession revenue reflects four factors:

- a wider range of services, particularly liquor, has been made available;
- prices of food and services have been increased to reflect rising costs;
- the tracks have started to charge for some services, such as parking, that were previously free;
- the change in the relative importance of thoroughbred and standardbred racing, since admission prices, concession prices and facilities vary significantly from track to track.

In 1970 the tracks' revenue per patron per day was as follows:

Commissions and break -	\$6.84
Concessions	1.65
Admissions	1.21
Other	<u>0.12</u>
	<u>\$9.82</u>

This distribution of revenue indicates the importance to the tracks of commission revenue and correspondingly suggests that the tracks may be inhibited in raising admission revenues for fear of reducing attendance.

Operating Disbursements

Total operating disbursements, consisting of purses, wages and salaries, supplies and services, municipal taxes and fees, rose from \$10.5 million in 1961 to \$35.8 million in 1970. The average annual growth in total disbursements over the period was 14.5%, slightly higher than the growth in revenues.

Purses

Purse costs declined slightly from 1961 to 1970 from 31.8% to 29.0% of total revenue. This decline is attributable to the fact that total revenue has increased faster than commission revenue on which purses are based.

Operating Costs

These costs, which consist of wages and salaries, supplies and services, have increased from 38.4% of revenue in 1961 to 44.5% in 1970. The main reasons for this increase in the ratio of operating costs to revenues are:

- Revenue from commissions is to some extent independent of the operating costs required to produce it. Inflation affects the tracks expenses but these increases cannot be fully

offset by raising prices because the major source of revenue, the tracks share of the handle, is determined by the Government.

- Tracks are unwilling to increase those prices, such as admissions, which are within their control, except to reflect increased costs of providing the service concerned, because of a fear that to do so would cause a decline in attendance and in handle. For example, the revenue gain from a 25% increase in admission charges would be offset by only a 3.4% reduction in attendance.

Municipal Taxes

Municipal taxes have increased from 3.4% of total revenue in 1961 to 4.5% of revenue in 1970. Race tracks are among the largest taxpayers in some municipalities and have shared in the general rise in such taxes.

Fees

Fees paid to the Ontario Racing Commission and the Canadian Trotting Association are a relatively minor part of income and have remained a relatively constant portion of revenue at between 0.5% to 0.7%.

Net Cash Flow from Operations

While the net cash flow since 1961 has fluctuated from year to year within the narrow range of 21.3% to 25.3% of income, the

overall trend is downward. On the basis of the cost-to-revenue ratios, the decline in purse disbursements has been more than offset by increases in operating costs and taxes.

Interest and Dividends

Interest on term debt and dividends on equity represent returns on capital employed. The fluctuations in the interest and dividend totals mainly reflect dividend changes by the Jockey Club following fluctuations in profits. Windsor Raceway commenced dividend payments in 1966. Neither Western Fair nor Carleton have paid significant interest or dividends, Western Fair being a non-profit organization and Carleton being in receivership during most of the period.

Income Taxes

The income tax payments reflect normal taxes on profits by the Jockey Club Ltd. and Windsor Raceway Ltd. Neither Western Fair nor Carleton paid income tax.

Capital Expenditures

The net capital expenditures cover only the Jockey Club and Windsor Raceway. The heavy expenditures in 1965-1966 and 1970 reflect completion of the Windsor Raceway and the enlargement of the Woodbine Clubhouse respectively. "Normal" expenditures for improvement at the 6 tracks owned by these two companies have ranged from \$1.2 to \$2.1 million per annum.

TABLE XI

RETURN ON INVESTMENT										
THE JOCKEY CLUB, WINDSOR RACEWAY AND ALL CANADIAN COMPANIES										
	<u>1961 - 1970</u>									
	%									
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
<u>RETURN ON EQUITY</u>										
Jockey Club	12.5	10.7	11.5	13.3	10.6	12.9	11.7	12.6	16.8	13.5
Windsor Raceway	-	-	-	-	-	18.0	26.2	33.3	39.0	39.5
All Corporations*	9.4	12.2	10.7	11.0	14.9	14.8	13.7	14.3	N.A.	N.A.
<u>RETURN ON CAPITAL</u>										
Jockey Club	9.6	8.3	8.6	10.2	8.9	10.3	9.7	10.3	13.4	11.2
Windsor Raceway	-	-	-	-	-	15.0	21.6	28.4	39.0	39.5
All Corporations*	8.1	8.8	9.1	10.2	14.1	12.8	11.9	12.4	N.A.	N.A.

* Excluding finance, insurance and real estate

Sources: Racetracks' published annual reports.
Taxation Statistics - Department of National Revenue.
Statistics Canada 61.207.

Note: The latest annual data from Statistics Canada relates to 1968.
All returns are shown pre-tax.

Return on Investment

Return on investment in the tracks has been measured in two ways, as return on equity and return on capital. Return on equity is defined as the return provided by net profit (pre tax) on shareholders equity (share capital plus surplus). Return on total capital is defined as the return provided by net profit (pre tax) plus interest on funded debt on total equity plus funded debt.

Only Windsor Raceway and the Jockey Club* have yielded significant returns on equity or capital in the period. Carleton Raceway was in receivership during most of the period and the Western Fair Association is a non-profit agricultural society whose racing accounts cannot be separated from the associated Fairr accounts. However, if the racing accounts could be separated it appears doubtful whether the racing operations would provide significant returns.

Table XI opposite shows return on equity and on capital for the Jockey Club and Windsor Raceway. For purposes of comparison, the return on equity and capital is also shown for all Canadian profit and loss companies, excluding those engaged in finance, insurance and real estate (F.I.R.) (The F.I.R. companies have been excluded because their operations are largely financial in nature and require the use of fixed assets to a much lesser extent than other companies.)

* The Jockey Club has recently become a non-profit organization. Under the reorganization plan, the common shares of the Company have been exchanged for 10% secured debentures and control now lies in the hands of trustees as opposed to shareholders.

Looking first at return on equity, Jockey Club data show no clear trend over the past ten years. The average return in this period is 12.6% and annual returns have generally fluctuated in the 10.5 to 13.5 range. The 1969 return of 16.8% was exceptionally high. In contrast the preliminary indications are that 1971 returns will be relatively low.

Windsor Raceway's return on equity has been substantially higher than that of the Jockey Club and shows a rise from 18% to 39.5% from 1966 to 1970. This rise in profit levelled out in 1969 and preliminary indications are that 1971 results will be considerably lower.

The return on equity for all Canadian profit and loss companies has averaged 12.6% over the period 1961-1968. (The Jockey Club's average return in the same period was 12.0%.) However, these returns have been considerably higher in the period 1965 to 1968, at 14.4% on average, than in the earlier period when they averaged 10.8%. The position of the Jockey Club in relation to all Canadian companies has therefore deteriorated since 1965. From 1961 to 1964 The Jockey Club return on equity was higher than that of all companies in 3 years out of 4. From 1965 to 1968 the Jockey Club return on equity has been consistently lower. Windsor Raceway's return has been much higher in all years in which a comparison can be made.

Turning to return on capital, the Jockey Club relative position deteriorates slightly while Windsor's improves. The Jockey Club average return is 10.1% and shows a slight upward trend over the period. However, in only one year, 1961, does the Jockey Club return

exceed that of all companies. Windsor's return on capital at the end of the period is 39.5%, the same as its return on equity since it repaid its debt in the period.

In making these comparisons it should be noted that:

- The comparative "all corporation" data include both profit and loss companies because data are not now available separately on profit companies. By way of contrast the non-profit making race tracks have been excluded from the comparison because of lack of data. If the results for Carleton and Western Fair could be included the total return for all Ontario tracks would be considerably lower;
- Windsor's high profits may have arisen from a unique situation due to its exclusive ability to provide winter racing to a large Detroit market. This opportunity is not open to most Ontario tracks and Windsor itself may be losing its monopoly position as is discussed more fully later.

Taking all these factors into account, it is difficult to conclude that the return on investment in race tracks from 1961 to 1970 has been either excessive or inadequate in relation to other investments. There are, however, some signs that the 1971 results will be much less favourable for the race tracks.

Market Position of the Major Tracks

The market characteristics of each of the eight major tracks are outlined in this section. A knowledge of these characteristics, especially on the standardbred side where changes have been more pronounced and where variations between individual tracks are large, helps promote an understanding of changes in the total industry picture. More detailed tables and charts, showing attendance and handle data by year for each track, are contained in the Appendix to this report.

Standardbred Tracks

The table below shows the racing days, attendance and handle at each major standardbred track as a percentage of the totals for all Ontario major tracks in 1970.(1)

Racing Days, Attendance and Handle
at Major Tracks as a % of Ontario Major Tracks
%

	<u>Racing Days</u>	<u>Attendance</u>	<u>Handle</u>
Greenwood*	20.3	33.9	34.5
Windsor	26.3	25.9	32.7
Garden City*	13.5	12.3	11.4
Western Fair	17.9	13.8	8.7
Mohawk*	9.8	8.7	9.0
Carleton	<u>12.2</u>	<u>5.3</u>	<u>3.7</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

* Jockey Club tracks

The Jockey Club: The Jockey Club's three tracks together constitute the largest single factor in Ontario standardbred racing.

(1) 1970 data are more representative for comparative purposes because 1971 data are distorted by the temporarily reduced Windsor season.

In 1970 they supplied 43.6% of racing days, 54.9% of attendance and 54.9% of handle of all standardbred major tracks. It is likely that all Jockey Club tracks have suffered from off-track messenger services in recent years but as mentioned earlier it has proved impossible to quantify the impact. An additional adverse influence in the Spring of 1971 was the abolition of show betting. Individually, the characteristics of the three tracks can be summarized as noted below.

(a) Greenwood, which is also a thoroughbred track, is Ontario's

largest standardbred track in terms of attendance and handle.

In 1970, it provided 20% of racing days, 34% of attendance and 35% of handle. The daily attendance in the same year was 8,060, well above the Provincial average of 4,830, but the per capita handle at \$59 was only slightly higher than the

Provincial average of \$58. Attendance per day has grown

slowly but relatively steadily in recent years while the

current per capital handle dropped in 1970 after a period

of steady growth. In 1971 the current \$ per capita handle

recovered to its 1969 peak level. In real terms per capita

handle showed approximately the same pattern from 1962 to

1970, although the rate of growth was slower. The 1971 real per capita handle showed a slight decline from the 1970 level.

One new potential adverse influence may be the proposed new

track in Dundas since Greenwood draws some patrons from this

area. The extent of this influence cannot be determined at

present as the days on which the Dundas track will be open have not yet been decided.

(b) Garden City, provided 13% of racing days, 12% of attendance and 11% of the handle in 1970. The daily attendance in the same year was 4,390 and the per capita handle \$54, both slightly below the Provincial average. Daily attendance has declined since 1969 while the current \$ per capital handle has grown only slowly. Garden City draws about 25% of its attendance from the U.S. and could be adversely affected by the introduction of off-track betting in Erie County, New York.

(c) Mohawk, provided 10% of Ontario's major track racing days, 9% of attendance and 9% of the handle in 1970. The daily attendance at 4,330 was below the Provincial average but the per capita handle, \$60, was slightly higher. Attendance per day has grown only slowly for the past four years, while the current \$ per capita handle was almost static from 1966 to 1969 and has since declined. In real terms, per capita handle has declined steadily since 1966.

Windsor: The Windsor track has been the largest single factor in the expansion of Ontario standardbred racing since 1965. It is the second largest track and in 1970 provided 26% of racing days, 26% of attendance and 33% of the handle. Wagering per day, at \$73, is well above the Provincial average. Attendance per day at 4,750 is about the same as the Provincial average. Windsor's growth in attendance and handle reached a peak in 1969 and it has since declined, with the greater part of the decline coming in 1971. However, these declines were the

result of some special factors. First, Windsor caters primarily to the Detroit market: 75-85% of patrons are from the U.S. The G.M. strike and the general economic situation in the U.S. caused a slowdown in Windsor's business in 1970. In addition, Windsor faced competition from a major U.S. track for the first time in 1970. Previously, Windsor's all weather track had given it a monopoly of winter racing in the area. Results in 1971 were adversely affected by the introduction of a thoroughbred meet which was terminated after 17 days instead of a planned 46 days. The standardbred season was shortened to take account of this meet and to avoid opening when the major U.S. tracks were open.

Windsor's prospects depend largely upon the success of the summer standardbred meeting planned for 1972. While the track appears unlikely to return to the 1969 peak for some time, it has a good chance of recovering to the 1970 level in the near future.

Western Fair: In 1970 the Western Fair provided 18% of racing days, 14% of attendance and 9% of handle. Attendance per day at 3,730 is below the Provincial average. Handle per capita, at \$37, is the lowest of any major track. Both attendance per day and current \$ handle per capita were relatively stagnant from 1966-1969 since which time they have declined. In real terms per capita handle has declined since 1965. Total attendance and handle rose steadily until 1970 due to an increase in the number of racing days but 1971 shows a decline in attendance and handle. London's market differs from that of most major tracks in that it caters to a limited area as London is the only major city within easy reach of the track. It is also closely associated with the Fair and draws some of its support from Fair goers who are not regular

racing patrons. London is vulnerable to competition from B and C tracks because the quality of racing of the track is not high and it has traditionally drawn some support from rural areas where B and C tracks are located. Finally, London has been adversely affected by messenger services and the general economic situation. In light of the foregoing, overall growth prospects are not encouraging.

Carleton: Carleton is the smallest major track. In 1970 it provided 12% of race days, 5% of attendance and 4% of handle. Attendance per day, at 2,110, and handle per capita, \$40, are both low in relation to the Provincial average. Growth at the track has been erratic and slow. Attendance and handle have declined since 1969 under the influence of a decline in racing days and reduced per capita wagering. However, attendance per day rose from 1970 to 1971. (Year to year comparisons should be made with care since Carleton and the Hull track at Connaught Park, a prime competitor, alternate between Spring and Autumn meetings.) Carleton has been hampered by financial problems since its inception; however, a recent company re-organization may strengthen the track's position. The recent economic situation has hampered the track but this appears likely to improve. Overall growth prospects are limited by the size of the local market. One potential development, a winterized track, could improve prospects.

Thoroughbred Tracks

The position of the Jockey Club's thoroughbred tracks has already been discussed in total in Section III of this report

TABLE XII

JOCKEY CLUB THOROUGHBRED TRACKS
ATTENDANCE PER DAY
(Index Values Based on 1961-3 Average = 100)

	Woodbine		Fort Erie		Greenwood	
	<u>Number</u>	<u>Index</u>	<u>Number</u>	<u>Index</u>	<u>Number</u>	<u>Index</u>
1961	9,060		7,550		10,020	
1962	8,600	100	7,980	100	9,040	100
1963	8,780		8,080		9,240	
1964	8,500	96	7,990	102	9,380	99
1965	8,780	100	7,630	97	8,690	92
1966	8,960	102	7,660	97	9,730	103
1967	7,990	91	7,140	91	8,680	92
1968	8,650	98	7,210	92	8,580	91
1969	9,360	106	7,690	98	7,870	83
1970	9,680	110	7,660	97	7,370	78
1971	9,160	104	6,940	88	7,400	79

since these tracks are responsible for virtually all* thoroughbred racing in Ontario. It is likely that all tracks were subject to the adverse influence of off-track messengers services in recent years, especially 1971. However, there are some differences in individual track's experience which merit a brief examination.

Woodbine, has been the most successful of the three in terms of attendance. There has been a slight uptrend in total attendance over the period, the level in 1971 being some 16% above the average of the 1961-63 period. Part of this increase can be attributed to the 11% increase in racing days at this track but attendance per day has also risen, being 4% higher in 1970 than the 1961-63 average. Within the period, attendance per day has varied considerably from year to year, rising to 1966, dropping to a low in 1967 and rising to a peak in 1970. Table XII opposite, shows these changes, together with comparable figures for Fort Erie and Greenwood.

Fort Erie, has seen a 24% decline in total attendance over the average 1961-3 to 1971, part of which is due to a 14% decline in the number of racing days. There has also been a decline in attendance per day, the 1971 figure being 12% below the 1961-3 average. The 1971 attendance decline has been attributed in part to bridge repairs as this track has a large (50%) U.S. attendance. However, U.S. attendance did not decline in that year as a percent of total attendance and other factors, such as the abolition of show betting the general economic situation and off-track messenger services, also contributed to the decline.

* In 1971 Windsor held a thoroughbred meeting. This was so unsuccessful that it was terminated after 17 days of a planned 46 day programme. Windsor does not propose to repeat this experiment and the results are not worthy of analysis. The failure of this meeting may however serve to reinforce the point that expansion prospects for thoroughbred racing are very limited.

TABLE XIII

JOCKEY CLUB THOROUGHBRED TRACKS
 WAGERING PER CAPITA PER DAY
 (Index Values Based Upon 1961-3 Average = 100)

<u>CURRENT \$</u>						
	<u>Woodbine</u>		<u>Fort Erie</u>		<u>Greenwood</u>	
	<u>\$</u>	<u>Index</u>	<u>\$</u>	<u>Index</u>	<u>\$</u>	<u>Index</u>
1961	54		52		46	
1962	55	100	53	100	54	100
1963	58		54		57	
1964	60	109	58	111	59	113
1965	63	114	60	113	63	121
1966	64	116	59	112	60	115
1967	68	122	62	117	62	118
1968	66	118	62	117	62	119
1969	70	127	65	122	69	133
1970	75	134	71	134	69	133
1971	74	133	70	132	68	129

<u>CONSTANT (1970) \$</u>						
	<u>Woodbine</u>		<u>Fort Erie</u>		<u>Greenwood</u>	
	<u>\$</u>	<u>Index</u>	<u>\$</u>	<u>Index</u>	<u>\$</u>	<u>Index</u>
1961	70		68		64	
1962	71	100	68	100	69	100
1963	73		69		71	
1964	75	105	72	105	73	107
1965	76	107	73	107	76	112
1966	75	105	68	99	70	103
1967	76	107	70	102	69	101
1968	71	99	69	101	67	99
1969	73	102	67	98	72	106
1970	75	105	71	104	69	101
1971	72	101	68	99	65	96

Greenwood, experienced a 19% decline in total attendance between the average for 1961-3 period and 1971 while the number of racing days increased some 3%. Attendance per day over the same period declined some 21%.

It is difficult to account for the different experience of the tracks. There would appear to be no clear relationship between attendance and the number of racing days. Other factors, such as the improved facilities at Woodbine, may be responsible or more subjective factors, such as the quality of racing, may play some part.

Turning to the handle, all tracks experienced an increase in current \$ per capita handle which helped, in the cases of Fort Erie and Greenwood, to offset reduced attendance. However, in real terms Fort Erie's per capita handle shows no clear trend, while those of Woodbine and Greenwood, although erratic appears to be on a slowly declining trend. Table XIII opposite, illustrates the changes in per capita wagering over the past decade.

Woodbine's total handle rose 54% from 1961-3 to 1971. Current \$ per capita handle rose some 33% over the same period. Fort Erie's total handle rose 1% from 1961-3 to 1971 while per capita handle rose 32%. Greenwood's handle rose 5% from 1961-3 to 1971 while per capita handle rose 29%. Thus, it appears that all tracks had essentially the same experience so far as per capita wagering is concerned.

In summary, the history of the past ten years suggests that little change can be expected in total thoroughbred activity while attendance can be expected to show a continued slow decline. Total current \$ wagering should continue to increase in line with the trend of rising per capita wagering.

VII. THOROUGHBRED HORSE INDUSTRY

In this section, the growth and change in the financial positions of the thoroughbred owners and breeders since 1965 are analysed. For the purpose of analysis, the two groups have been treated separately and, for lack of data, it has been assumed that owners do not receive revenue from stud fees while breeders do not receive purse monies. In practise there is some overlap between the two groups but it does not appear sufficient to distort the conclusions reached. The thoroughbred and standardbred segments of the industry are also examined separately because their growth rates and cost structures show substantial differences.

Although the analysis concentrates upon determining the changes in the financial positions of owners and breeders, it should be remembered that many of those participating in the industry also receive significant non-financial returns in the form of sport, social status and prestige. For this reason, the terms net cost or net revenue are used in place of loss or profit.

Thoroughbred Owners

Growth of Activity

The extent of owners activity in racing may be measured by the number of owners, number of horses and number of people employed.

	<u>1965</u>	<u>1970</u>
Number of Owners	916	1,230
Number of Horses	1,530	1,872
Employees Licensed by ORC:		
Trainers	165	235
Jockeys		
(inc. apprentices)	97	115

Despite the fact that thoroughbred racing activity has been relatively static in terms of racing days, the figures above indicate that there has been an increase in interest in ownership. The increase in horses has been accommodated by increasing the number of races and the average number of starters per race as follows:

	<u>1965</u>	<u>1970</u>
No. of Races	1,567	1,716
No. of Starters	13,528	15,149
Average Starters/Race	8.6	8.8

There is no evidence of greater concentration of winnings into larger stables between 1965 and 1970.

Revenue

The revenues of the thoroughbred horse owners are derived entirely from purses won in races. These purses include the "Provincial Grants" and the entry fees paid by owners for stakes races.

Between 1965 and 1970 it is estimated that the average potential winnings per horse increased 8% from \$3,060 to \$3,295. The number of horses, prize monies, and average potential winnings per horse for 1965 and 1970 are as follows:

	<u>1965</u>	<u>1970</u>
Purse (\$000) (1)	4,682.2	5,603.7
Provincial Grant (\$000)	-	564.7
Total Prize	4,682.2	6,168.4
Horses Starting	1,530	1,872
Potential Winnings per horse	\$3,060	\$3,295

- (1) Includes stakes and entry fees which are intra-industry transfers but which are offset by inclusion in expenses.

It should be noted that the revenue estimate assumes all purses were won by Ontario owners, or alternatively, that the winnings of outside owners were equalled by Ontario owners winnings in other jurisdictions. Data are not available on this matter but it is generally held by horse owners that the winnings of Ontario owners in other jurisdictions are about equal to outside winnings in Ontario.

Operating Costs

The 1966 Woods, Gordon & Co. operating cost survey showed that the average operating cost per thoroughbred horse was \$4,080 per annum in 1965 including insurance and owners' travel but excluding depreciation. The 1971 cost survey shows that the costs of ownership have increased by approximately 20% since 1965 to \$4,900 per horse per annum.

The 1970-71* cost level was derived by ascertaining the differences between 1965 and 1970-71 prices for materials and services. These increases were apportioned to operating costs in accordance to a weighting of ownership costs determined from 1965 questionnaire responses. The weightings used and cost changes since 1965 are shown in the table overleaf.

* Costs are referred to as 1970-71 costs as the survey established the general level of cost during this period due to the difficulty of obtaining costs for a specific year.

TABLE XIV

THOROUGHBRED OWNERS
COST COMPARISON BY CATAGORY, 1965-1971

<u>Cost Item</u>	<u>1965</u>	<u>1971</u>	<u>% Change</u>
Trainers	\$10 per day + 10% of 1st and 2nd place winnings	\$12 per day + 10% of all winnings	20%
Jockey (based on \$2,000 purse)	1st \$50 (ave. = 9%) 2nd 40 3rd 30 Unplaced 25	10% \$45 35 30	Average increase in an 8 horse field would be 18%
Equipment, supplies and services	Varied	Increase approximately 20%	20%
Off-track keep	\$120/month	\$150/month	25%
Insurance	6%	7%	17%

<u>Cost Item</u>	<u>1965 Weighting</u>	<u>Increase 1965-71 %</u>	<u>Cost Index 1970-71</u>
Training	69	20	82.8
Jockey fees	10	18	11.8
Shipping	5	20	6.0
Equipment and services	11	20	13.2
Off-track keep	<u>5</u>	25	<u>6.3</u>
Operating Costs	100		120.1
1965 Operating Cost			\$4,080
1970-71 Est. Operating Cost			\$4,900

The cost weighting does not include insurance, entry fees, and owners' travel. These were omitted because they varied widely from owner to owner, whereas the other cost items were relatively uniform. However, as the items constituted a relatively small portion of total costs, the omissions do not significantly distort the overall cost increase estimate.

Table XIV on the page opposite summarizes the main cost differences between 1965 and 1970/1. The following is a brief commentary on the main items:

Training Costs: This covers trainers fees (which includes feed and care). The 1971 average base rate of \$12 per day represents a 20% increase over the 1965 rate of \$10 per day. Trainers also now get 10% of show purses.

Jockey Fees: The jockey fee structure which had been in effect since 1963 was revised in May 1971. The changes included an increase of approximately \$5 per race and the introduction of an extensive sliding scale of fees depending on the size of

purse. The introduction of a mandatory win fee of 10% of purse did not represent a significant change as about 90% of jockeys were receiving this amount under the old fee structure. The estimated 18% overall increase in jockey fees used in the cost index has been based on the average increase in fees which the owners would have to pay for each race having an 8 horse field.

Shipping : Shipping costs have increased approximately 20%. This estimate has been derived by comparing 1965 and 1970-71 rates.

Equipment, Supplies and Services: The main costs in this category are professional services from veterinarians and blacksmiths. The estimate of a 20% increase since 1965 is based on a comparison of billings. Rates for veterinary services have not increased significantly since 1965, but average billings have increased due to a broadening in the range of services offered.

Off-Track Keep: Boarding costs for horses averaged \$150 per month in 1971 in comparison with \$120 per month in 1965. This represents a 25% increase.

Indicated Net Cost

On the basis of the revenue and operating costs reviewed in the previous sections, the indicated net cash cost per horse of the owners is as follows:

	<u>1965</u>	<u>1970</u>
Potential Revenue	3,060	3,300
Operating Cost	<u>4,080</u>	<u>4,900</u>
Net Cash Cost	\$ 980	\$1,600

Between 1965 and 1970 the position of the owner has deteriorated as the indicated annual net cash per horse has increased from \$980 in 1965 to \$1,600 in 1970. On the basis of 1,872 horses having raced in Ontario in 1970, the aggregate net cash cost of the owners in 1970 was approximately \$3.0 million.

In comparing the change in the net cash cost from 1965 to 1970 some account must be taken of the decline in the value of money. Using the consumer price index as a guide to the decline in the real value of money, the 1965 net cash cost of \$980 can be regarded as equivalent to a net cash cost of \$1,184 in 1970. In real terms therefore, the owners net cash cost per horse has increased by some \$416 from \$1,184 to \$1,600.

This indicated net cash cost understates the actual position of the owners for the following reasons:

1. While the revenue includes virtually all revenue available to owners, the cost estimates are based only upon the number of horses that raced. Some owners incurred additional cost for horses which did not race in 1970.
2. The net cash cost does not include depreciation of racing stock, or return on capital invested. However, the real depreciation per horse has decreased by \$266 between 1965 and 1970 as shown below.

It was estimated that in 1965 the annual depreciation on a total \$9.0 million investment in race horses was \$3.0 million or \$2,000 per horse. In 1970 dollars this is equivalent to about \$2,400 per horse. A survey of thoroughbred horse ownership in Ontario by the

National Association of Canadian Race Tracks estimates that there are about 1,900 active thoroughbreds representing an investment of \$12.2 million. On the basis of a 3 year racing life, the annual depreciation in 1970 would be \$2,150 per horse. The real depreciation per horse therefore fell from \$2,400 in 1965 to \$2,150 in 1970. Including depreciation, then, the total estimated net cost per horse in real terms has increased by about \$165 from \$3,585 in 1965 to \$3,750 in 1970. (This is not to say that all owners faced net costs, some owners won purses in excess of their costs.)

On the basis of the 1,900 thoroughbreds active in 1970 the total estimated annual net costs of thoroughbred owners are estimated at \$7,125,000 in 1970. A number of reasons can be advanced as to why horse owners as a group are prepared to sustain on this scale:

1. The intangible reasons of the love of horses and the social prestige of ownership and racing are obviously important.
2. There is the possibility of making substantial winnings on a horse through racing success.
3. Horse ownership costs can in part be carried over to other income to provide tax savings.

Thoroughbred Breeders

Growth of Activity

The growth and current size of the Ontario breeding industry is indicated by yearling sales and memberships in the Canadian Thoroughbred Horse Society, the breeders association. On the basis of

these indicators, shown in the table below, it can be concluded that thoroughbred breeding activity has in total shown only minor growth between 1965 and 1970.

	<u>1965</u>	<u>1970</u>	<u>1971</u>
Membership - CTHS	391	401	474
Foals registered	1,215	1,692	1,978
Yearling sold (selected)	172	172	165
Receivers of Breeders Awards	157	203	N.A.

The increase in membership in 1971 does not itself reflect a growth in the number of breeders but, rather, can be attributed to a membership drive co-incident with the Government action in sanctioning CTHS as an official registration body.

The number of yearlings offered for sale (excluding Winfield Farms for reasons explained below) does not include all yearlings bred in Ontario. Some higher quality horses are sold privately and through U.S. sales but these are relatively few in number.

Revenue

The breeding industry derives its revenue from two main outside sources: sale of yearlings to owners and breeders awards. Breeders also obtain some revenue from off-season boarding of horses, although this does not appear to be a major item. Stud fees are cash flows within the industry, except where paid, or received from, outside Ontario.

The average price of yearlings sold increased 71% between 1965 and 1970 from \$3,230 to \$5,525, declining slightly to \$5,343 in 1971. The following is a summary of breeders revenues for the years 1961, 1965, 1970 and 1971.

	<u>1961</u>	<u>1965</u>	<u>1970</u>	<u>1971</u>
Canadian Thoroughbred Horse Society Yearling Sales				
- No.	105	172	172	165
- Gross Sales (000)	\$240.6	\$555.6	\$950.4	\$882.7
- Average	\$2,291	\$3,230	\$5,525	\$5,343
Breeders Awards (000)	-	\$ 73.5	\$109.0	N.A.

The foregoing sales results do not include Winfield Farms' yearlings which were included in the CTHS sale starting in 1968, having been previously sold privately. In 1970, these totalled 20 yearlings having an average price of \$18,840, which raised the average price of all yearlings to \$6,912. The sales returns excluding Winfield Farms are regarded as more representative of the industry in total.

The increase in the average sales value per yearling is attributed to both higher maintenance costs of breeding stock and yearlings and an upgrading in the quality of horses sold. The higher quality is attributed to the demands of the owners. Apparently the quality of racing in Ontario has improved due to competition from U.S. horses. The relative influence of these factors is analysed in the next section.

The breeders awards (equivalent to 5% of winning purses) constitute a further source of income to breeders. In 1970, these awards totalled \$109,000, an average of \$540 to each of the 202 winning breeders (excluding Winfields). In 1965, 156 breeders averaged \$500 each.

Revenue from stud fees constitute intra-industry cash flows, except where paid outside of Ontario. This item has been treated as a deduction from improvement costs in the next section rather than as a revenue item.

Operating Costs

The thoroughbred breeders operating costs have been categorized for this analysis as "maintenance" costs covering feeding and care of breeding stock, foals and yearlings, and "improvement" costs covering stud fees and nominations payments.

It is estimated that between 1965 and 1971 the average cost per yearling, including maintenance and improvement increased 25% from \$3,100 to \$3,855.

The 1970/71 maintenance costs were estimated to have increased 11% from 1965 from \$2,890 per yearling to \$3,200. This estimate was derived by applying the difference between 1965 and 1970/71 costs for materials and services and apportioning them to operating costs in accordance with a weighting of ownership costs based on the 1966 survey results. The weighting used, and the cost changes since 1965 are shown in the following table:

<u>Cost Item</u>	<u>Maintenance Cost Changes</u>		
	<u>1965</u> <u>Weighting</u>	<u>Increase</u> <u>1965-71</u>	<u>Cost Index</u> <u>1970-71</u>
Maintenance Costs:			
Mare and Yearling			
- feed	50	5%	52.5
- labour	34	14	38.8
- housing	8	10	8.8
- services	9	20	10.8
	100		110.9
Stock Cost - 1965			\$2,890 (1)
Stock Cost - 1970-71			\$3,200
(1) 1965 cost of \$3,050 less 5% sales commission on \$3,230 sales price.			

The 1970-71 cost maintenance estimates assume that there have been no changes in the conception and foal survival rate per mare since 1965. A general review of foal births appears to support this assumption, except for 1968 when there was a decline in births probably attributable to disease.

The following is a brief summary of the changes in breeders' maintenance costs included in the previous tables:

Feed: Feed prices have change relatively little since 1965. The prices of feed products depend on crop yields, and it appears that 1965 saw relatively high prices. The cost increase of only 5% was derived from the average of oats, hay, straw and feed supplement prices required to maintain mares and yearlings.

Labour: Labour costs have increased from an average of \$350 per month in 1965 to \$400 per month in 1970-71. Respondents indicate no difficulty in obtaining labour at the \$400 per month level an increase of 14% since 1965.

Housing: The increase in housing costs is difficult to measure.

However, it appears that an increase of 10% has occurred since 1965, mainly due to higher maintenance costs.

Services: The service costs include veterinary, blacksmith, transportation of mares, etc. A 20% cost increase in costs is indicated as outlined under owners costs.

Improvement costs consisting mainly of stud fees are estimated to have increased from \$70 per yearling in 1965 to \$515 per yearling in 1970. This includes only the net stud fees paid outside Ontario, recognizing that stud fees paid to other Ontario breeders are intra-industry cash flows, and do not represent costs to the Ontario industry in total. This represents a change from the 1965 calculation which treated all stud fees as external costs. The stud fees were calculated for both 1965 and 1971 as follows:

1. The yearlings sold in 1965 and 1971 were traced back to their sires.
2. The stud fee for the year of services (1963 and 1969) was determined from advertising and other sources. This also provided the location of the sire
3. The total stud fees paid outside Ontario were divided among yearlings sold to approximate the external stud cost per yearling. It has been assumed that there was no outside use of Ontario stud services. While this cannot be confirmed it is generally regarded to be the case by knowledgeable industry sources.

While there is obviously some estimation in this calculation, it does provide an indication of the change in improvement costs, as summarized in the following table.

	<u>1965</u>	<u>1971</u>
Average stud fee:		
Ontario	\$ 650	\$ 940
U.S.	820	1,840
Average per yearling sold	670	1,165
Paid to U.S. breeders	\$11,500	\$85,000
Average Price Paid to U.S. Breeders per Yearling Sold	\$ 70	\$ 515

It will be noted that the increase in external stud fees is derived from two sources. First, there has been a big increase in the use of U.S. services from 8% of yearlings in 1965 to 28% in 1971; and secondly, average U.S. fee per service has increased 125% from \$820 in 1965 to \$1,840 in 1971. (The average Canadian fee has increased from \$650 to \$940 but this does not enter into the calculation being an internal transfer).

The nomination payments which averaged \$140 in 1965 have been left unchanged.

The following is a summary of breeders' average cost per yearling, for both maintenance and improvement as outlined above:

	<u>1965</u>	<u>1970-71</u>
Stock cost (*)	\$2,890	\$3,200
Improvement cost	<u>210</u>	<u>655</u>
Total	<u>\$3,100</u>	<u>\$3,855</u>

(*) Excluding sales commissions.

Breeders Indicated Net Costs or Revenues

The deduction of breeders expenses from revenue indicates that in 1970-71 the breeders made an average net cash revenue of \$1,220 per yearling. This represents a substantial improvement over the 1965 net cash cost of \$30 per yearling. Expressing this 1965 net cash cost in 1970 dollars raises it to \$36. Thus, the breeders position improved by some \$1,256 per horse between 1965 and 1970.

The following is a summary of the revenue and cost figures, without adjustment for inflation over the period shown:

	<u>1965</u>	<u>1970-71</u>
Revenue: (per yearling)		
Sale Price	\$3,230	\$5,343
Less 5% Commission	<u>160</u>	<u>270</u>
Net Sale Return	3,070	5,073
Stock Cost	2,890	3,200
Improvement Cost	<u>210</u>	<u>655</u>
Total Cost	<u>3,100</u>	<u>3,855</u>
Net Cash (Cost Revenue Indicated Profit	<u>\$ (30)</u>	<u>\$1,220</u>

The foregoing is intended only as indicator of the position of the breeders industry in 1970-71 as compared with 1965. On the basis of 165 yearlings sold, this represents a net cash revenue of \$200,000 plus \$110,000 in breeders awards, total \$310,000. In reality however, the industry incurs substantial net costs for the following reasons:

1. It does not provide for depreciation of breeding stock and real estate and equipment used. It is estimated by the National Association of Canadian Race Tracks that Ontario thoroughbred breeders have an investment of \$20.0 million in breeding stock.* On the basis of a 10 year breeding life the depreciation charges would be \$2.0 million per year. While the industry may have increased the average value of yearlings by improving breeding stock, much of this gain would be offset by larger depreciation costs on the increased investment required to acquire better stock.
2. The net cash revenue is calculated above only on the basis of yearlings sold. There are a large number of yearlings such as those rejected by the selection committee which will probably return a very much lower value. While these will have much the same stock costs as estimated for yearlings sold (though probably lower improvement costs), the revenue per horse will probably be less than the yearling sale average resulting in a greater net cash cost per horse.

While a number of Ontario breeders are probably making money on their operations, it is apparent that on average, the industry is incurring net costs. Its willingness to accept such costs can be attributed to a number of factors:

1. The intangible factors of the love of horses including interest in genetics, bloodlines, etc., and the social prestige are apparently major considerations.

* comparable data are not available for 1965

2. There is the possibility of gains through the capital appreciation of the breeding stock. Such appreciation in the value of a mare or stallion would arise from racing success of their offspring.
3. To a limited extent, the net costs on a "hobby farming" operation can be applied to outside income.

Conclusions - Thoroughbred Horse Industry

The Ontario thoroughbred horse industry continues to incur large net costs, estimated to total \$8.7 million in 1970, consisting of \$7.1 million by owners and \$1.7 million by breeders. The 1970 situation represents a slight deterioration of the position of the owner since 1965, and possibly a slight improvement in the position of the breeder.

It is a paradox that despite the heavy costs there is no apparent reduction in ownership and breeding interest as indicated by the increase in the number of horses available and foals registered. Also, there has probably been some improvement in the quality of thoroughbred racing, as reflected in part by the higher prices for yearlings. The costs are spread over a large number of owners and breeders, and apparently continue to be acceptable in return for the intangible benefits and enjoyment of participation in the sport. Assuming that there is no development which will greatly increase costs or diminish the potential of substantial rewards, there is no reason to believe that owners and breeders will not continue to subsidize the supply of racing stock to the industry. However, the present situation does not provide any assurance that quality of thoroughbred racing can be improved, or even maintained.

VIII. STANDARDBRED HORSE INDUSTRY

This analysis of the standardbred horse industry is similar to that of the thoroughbred horse industry covered in the previous section. The industry is considered to include owners and breeders. Data on this sector of the racing industry are less reliable than for other sectors. One reason for this is that there has apparently been a structural change in the ownership size mix of the industry since 1965. It was noted in the 1966 report that ownership ranged from large and medium sized professionally operated stables to small part-time do-it-yourself operations, and that costs varied greatly between them. It has not been possible to obtain an estimate of the size mix in 1970. However, it does appear that the medium type of operation has diminished while the large and small part-time stables have increased. The current cost estimate does not make any allowance for average cost changes arising from changes in ownership size mix. Emphasis has therefore been placed on the direction of change in the standardbred owners and breeders position since 1965 rather than on the absolute magnitude of change.

Standardbred Owner

Growth of Activity

The growth of standardbred owners activity in racing is indicated by the number of eligibility certificates issued for standardbred horses as follows:

	<u>1965</u>	<u>1970</u>	<u>1971</u> (Nov. 30)
Number of Horses:			
Canadian (Trotters and Pacers)	2,966	5,216	5,564
U.S. Horses	<u>84</u>	<u>170</u>	<u>177</u>
Total	<u>3,050</u>	<u>5,386</u>	<u>5,741</u>

While not all horses having eligibility certificates race, the growth in registrations is indicative of the growth in the number of horses owned for racing purposes. The 71% increase in the number of horses between 1965 and 1970 closely approximates the 77% increase in racing activity (racing days) during the same period.

It is of interest to note United States owned horses constitute only a small portion of Ontario racing stock.

Revenue

The revenues of the standardbred horse owners are derived entirely from purses won in races. These purses include provincial grants. For the purpose of this analysis, these purses include that portion made up of stakes entry and nomination fees put up by the owners and breeders. These latter costs are also included in expenses so that the indicated net costs are in fact the true net costs to owners.

Between 1965 and 1970, the estimated average potential winnings per horse increased 13%, from \$1,950 to \$2,200. The number of horses, prize monies and average potential winnings per horse for 1965 and 1970 were as follows:

	<u>1965</u>	<u>1970</u>
Purse (\$000) (1)	2,784.0	8,794.5
Provincial Grant (\$000)	<u>-</u>	<u>900.0</u> (Est.)
Total Prize Money (\$000)	2,784.0	9,694.5
Horses Starting	1,425	4,400.0 (Est.)
Potential Winning per Horse	\$1,950.0	\$2,200.0

(1) Including nominations and entry fees provided by owners amounting to \$135,000 in 1965 and \$323,000 in 1970.

The accuracy of the above potential winnings per horse depends largely on the number of horses starting. The 1970 figure is an estimate only, there being no firm statistical data available on this matter. This estimate is based on 80% of eligible horses racing on regular basis, which a consensus of industry opinion suggested to be the minimum level.

The following is a comparison of purses at major and minor tracks for 1965 and 1970.

	<u>1965</u>	<u>1970</u>
Average Purse per Race:		
Major Tracks	\$840	\$1,500
Minor Tracks	128	620
Average	715	1,200

The table shows that average purses per race have increased at both minor and major tracks. However, average winnings per horse are affected not only by average purse levels but by the number of horses competing. The total number of horses competing at all tracks has increased from 1965 to 1970 and winnings per horse have been diluted. There is a difference between the minor and major tracks in this respect. A large part of the increase in horse population is running mainly at minor tracks and in consequence average winnings have been most severely diluted there. On the other hand, the major tracks have seen a much smaller increase in horse population and the dilution of winnings has been less serious.

The 1970 potential winnings per horse assumes that Ontario winnings at outside tracks equalled outside winnings at

Ontario tracks. The 1965 prize monies were adjusted to reflect the fact that an estimated 50% of Carleton track winnings were available to horses from Quebec. While this situation continues to exist, it is now estimated that Ontario winnings outside of the province probably exceed outside winnings here. There is a substantial participation by Ontario owners in U.S. racing, particularly in upper New York State. U.S. owner participation in Ontario is relatively small as indicated previously by the number of eligibility certificates issued.

Operating Costs

The 1966 Woods, Gordon & Co. operating cost survey showed that the average operating cost per standardbred horse was \$2,780 in 1965. The 1970-1971 cost survey shows that the costs of ownership have increased by approximately 23% since 1965, to \$3,420 per horse per annum. The method of estimating this increase was the same as outlined previously for thoroughbreds. The weighting of the cost components and cost changes since 1965 are shown in the following table.

<u>Cost System</u>	<u>1965 Weighting</u>	<u>Increase 1965-1971</u>	<u>Cost Index 1970-1971</u>
Training and driving	63	25%	78.8
Shipping	10	20	12.0
Equipment	12	15	13.8
Services	7	20	8.4
Off-Track keep	<u>8</u>	25	<u>10.0</u>
Total	100		123.0
1965 Operating Cost			\$2,780.0
1971 Estimated Operating Cost			\$3,420.0

The following is a summary of the main cost changes occurring between 1965 and 1971: (The changes in the cost of shipping, services and off-track keep are the same as for thoroughbred owners outlined previously).

Training Fees: Training fees have increased approximately 25% from \$220 per month to \$300. This includes feed and labour. In addition a trainer receives 10% of purses which remains unchanged from 1965. Training services usually cover driving.

Equipment: This includes harness and sulkies. A comparison of 1965 and 1971 costs indicates an increase of about 15% for comparable equipment.

Indicated Net Cost

The indicated net cash cost of the standardbred owner per horse as derived from the preceeding revenue and costs is as follows:

	<u>1965</u>	<u>1970</u>
Revenue	\$1,950	\$2,200
Operating Costs	<u>2,780</u>	<u>3,420</u>
Indicated Net Cash Cost	\$ 830	\$1,220

Adjusting the 1965 data for the decline in the value of money, shows that the average standardbred owners real cash costs per horse increased by \$217 from \$1,003 in 1965 to \$1,220 in 1970.

On the basis of there being 4,400 horses actively racing, the aggregate loss of Ontario owners in current dollars would have been \$5.4 million in 1970 as compared with \$1.3 million in 1965. However, any

interpretation of this change must be made in the light of the uncertainties in the statistics from which it is derived. In particular, the average encompasses a wide range of winnings and expenses ranging from the numerous hobby racers at "B" and "C" tracks to full-time stables at the major tracks. In general however, the estimates indicate that the standardbred owners position has deteriorated.

The loss figures tend to understate actual total net costs as they do not include depreciation of racing stock. The National Associations of Canadian Race Tracks estimates the 1970 value of standardbred racing stock at \$13.5 million.* Assuming an average of 10 year racing life of this stock, depreciation would add \$1.4 million to annual cash costs, to total \$6.7 million.

Standardbred Breeders

Growth of Activity

The overall extent of breeding activity in Ontario is indicated by the number of breeders, the registration of foals and sale of yearlings. These statistics are as follows:

	<u>1965</u>	<u>1970</u>
Breeders (Members of Canadian Standardbred Horse Society)	1,878	2,800
Number Receiving Breeders Awards	588	856
Yearlings Sold (Select Sale)	45	72 (47 in 1971)
Foals Registered	925	1,863

* comparable data are not available for 1965

The activity statistics indicate that while there has been a substantial increase in breeding activity as shown by membership in the CTHS and by the registration of foals, this increase has mainly been in lower quality horses. This is indicated by the fact that the number of yearlings (selected) sold has not increased significantly nor, as is shown subsequently, has the average price. In fact, in 1971, the CTHS included 10 New Zealand horses in its annual yearling sale in order to upgrade the quality and quantity.

A further indication that the Ontario breeders are not meeting the quality demands is provided by Ontario residents purchases of U.S. horses. In 1971, Ontario residents purchased 349 head, at an average of \$4,100 each. Of these, about 150 were yearlings.

While one reason for these purchases from the U.S. is that high quality stock is not available from Ontario breeders, another important factor is the eligibility of the U.S. sired and bred horses in numerous high purse U.S. stakes races. To the extent that this increase in yearling value is created by artificial geographic breeding boundaries, the apparent decline in the high quality Ontario breeding industry arises from factors beyond the breeders' control.

Revenues

The revenues of the standardbred breeders are primarily derived from the sale of yearlings, and from breeders awards. The standardbred breeders revenue per yearling has increased only marginally by 9% from \$1,513 in 1965 to \$1,645 in 1970-1971. The following is a summary of breeders revenues for the years 1965, 1970 and 1971:

	<u>1965</u>	<u>1970</u>	<u>1971</u>
C.S.H.S. Yearling Sale:			
Number	45	72	47
Gross Sales	\$68,100	\$118,600	\$76,800
Average	\$ 1,513	\$ 1,648	\$ 1,645
Breeders Awards:	\$97,000	\$203,100	Not Available

(1) Sale figures adjusted to exclude 10 New Zealand horses sold at average of \$2,800 each.

It is not possible to allocate breeders awards among annual sales of yearlings.

Operating Costs

The operating costs of the standardbred breeders vary greatly according to the size of the operation, and the extent to which it is a full-time operation. In 1965, the total cost of bringing a horse to the yearling stage was estimated at \$3,070 consisting of \$2,220 for maintenance (feed and care) and an average of \$850 for improvement (stud fees and nomination payment).

The 1970-1971 costs of maintenance are estimated to have increased 11% to \$2,460 per annum. An examination of standardbred maintenance costs shows that the same inflationary factors found for thoroughbreds applied to standardbreds and the same cost inflation factor was used. (The higher maintenance cost of thoroughbreds (\$2,890 vs. \$2,220) results from the greater use of part-time labour in standardbreds).

An estimate of 1970-71 "improvement" costs has been based on an examination of stud fees for the 1971 yearlings sold at the CSHS sales. The average stud fee for the 48 yearlings sold (excluding 10 New Zealand horses) was \$470, made up of an average of \$1,060 for 10 U.S. sired horses and \$310 for each of 38 Ontario sired horses. (This however does not include the horses of ABC Farms (Armstrong Brothers) which were not included in the 1971 sales.)

If the average nomination costs of about \$150 per yearling is added, the total improvement cost becomes \$620. It has not been possible to obtain similar data for 1965. However, on the basis of the 1966 survey estimate of an \$850 per yearly improvement cost in 1965, it has been concluded that there has not been any increase in stud fees between 1965 and 1970-1971. This would tend to be confirmed by the fact that the average Ontario fee in 1965 was \$300 as compared with the 1971 average of \$310. The reasons for this situation are probably as follows:

1. There is strong market resistance to higher stud fees due to the low sales prices of yearlings. One major breeder said that he charges \$300 for a \$500 value service in order to maintain volume and therefore overall cash returns.
2. The breeding and racing of higher quality horses has been transferred to the U.S. due to higher purses. This has lowered the average quality of Ontario yearlings, offsetting normal inflation in stud costs.

On the basis of the foregoing the 1965 to 1970-1971 operating cost comparison is as follows:

	<u>1965</u>	<u>1970-71</u>
Stock Cost	\$2,220	\$2,460
Improvement Cost	<u>850</u>	<u>850</u>
Yearling Cost	<u>\$3,070</u>	<u>\$3,310</u>
Increase 1965-1970		8%

The foregoing tends to over-estimate operating costs to the extent that a portion of the stud fees, averaging \$240 per horse, is paid to Ontario breeders, and should be included in breeders income. This cannot be done on a basis comparable to 1965 because of a lack of 1965 data. However, barring any drastic difference in the proportion of imported stud services in 1965, the estimate of the relative change in breeders cost between 1965 and 1970-1971 remains valid.

Indicated Net Costs

On the basis of the revenue and operating costs contained in the previous sections, the indicated net cash costs per yearling is as follows:

	<u>1965</u>	<u>1970-1971</u>
Revenue	\$1,510	\$1,645
Yearling Cost	<u>3,070</u>	<u>3,310</u>
Indicated Net Cash Costs	<u>\$1,560</u>	<u>\$1,665</u>

Expressing the 1965 data in real terms indicates that the standardbred breeders position has improved by about \$219 per horse since the real cash costs expressed in 1970 dollars have declined from \$1,884 in 1965 to \$1,665 in 1970.

On the basis of 1,863 foals registered in 1970, the aggregate costs of the breeders would total \$2.9 million (\$3.1 million less \$0.2 million breeders awards). This does not include depreciation which on the basis of the NACRT estimated value for the breeding stock of \$15.0 million* would add at least \$1.5 million to the annual net cash cost bringing the total to \$4.4 million in 1970.

It is possible that the estimated \$2.9 million net cash cost referred to above is overstated. The maintenance and operating costs may be substantially lower than the survey average for a substantial portion of the 1,863 foals registered in 1970. Furthermore, a substantial portion of the indicated cost may be made up of the owners' labour.

The breeders awards averaging \$237 for each recipient did not significantly offset the costs, only 38 breeders receiving in excess of \$1,000 each.

While there are a number of profitable standardbred breeding operations the willingness of the standardbred breeders to incur the indicated net costs can probably be attributed to the following factors:

* comparable data are not available for 1965

1. A large part of the industry is of a "part-time" or hobby character often mixed with other farming operations. The expenses are much lower than the average for yearlings sold, and some racing revenue is obtained, largely from "B" and "C" tracks.
2. Net costs on breeding operations may be deductible from other income, to the extent possible for hobby farms.

Conclusions - Standardbred Horse Industry

The Ontario standardbred horse industry continues to sustain substantial net costs, estimated to total \$11.1 million in 1970, consisting of \$6.7 million by owners and \$4.4 million by breeders.

These costs are not causing any shortage of racing stock for the tracks but the overall quality of racing is not improving and may in fact be declining. The breeders industry is not meeting the demand for high quality horses as evidenced by the substantial imports of U.S. horses. However, a part of the import demand may result from the much higher potential winnings of such horses from racing in various state breeding and sire stakes programmes.

The reasons for the willingness of the industry to continue to incur net costs are probably the same as outlined for thoroughbreds, although part-time or hobby owners are thought to be a much larger factor in sustaining the industry.

While there appears to be little risk that any shortage of racing stock will develop, there is a possibility that the quality of racing will decline.

There is also a risk that the Ontario standardbred breeding industry could fall to minor status, with the United States breeders supplying Ontario needs.

IX. FORECAST

This section provides a forecast of horse racing attendance and wagering volumes in Ontario for the period 1972-1977. All wagering projections are expressed in constant 1970 dollars. The basic assumptions for this forecast are as follows:

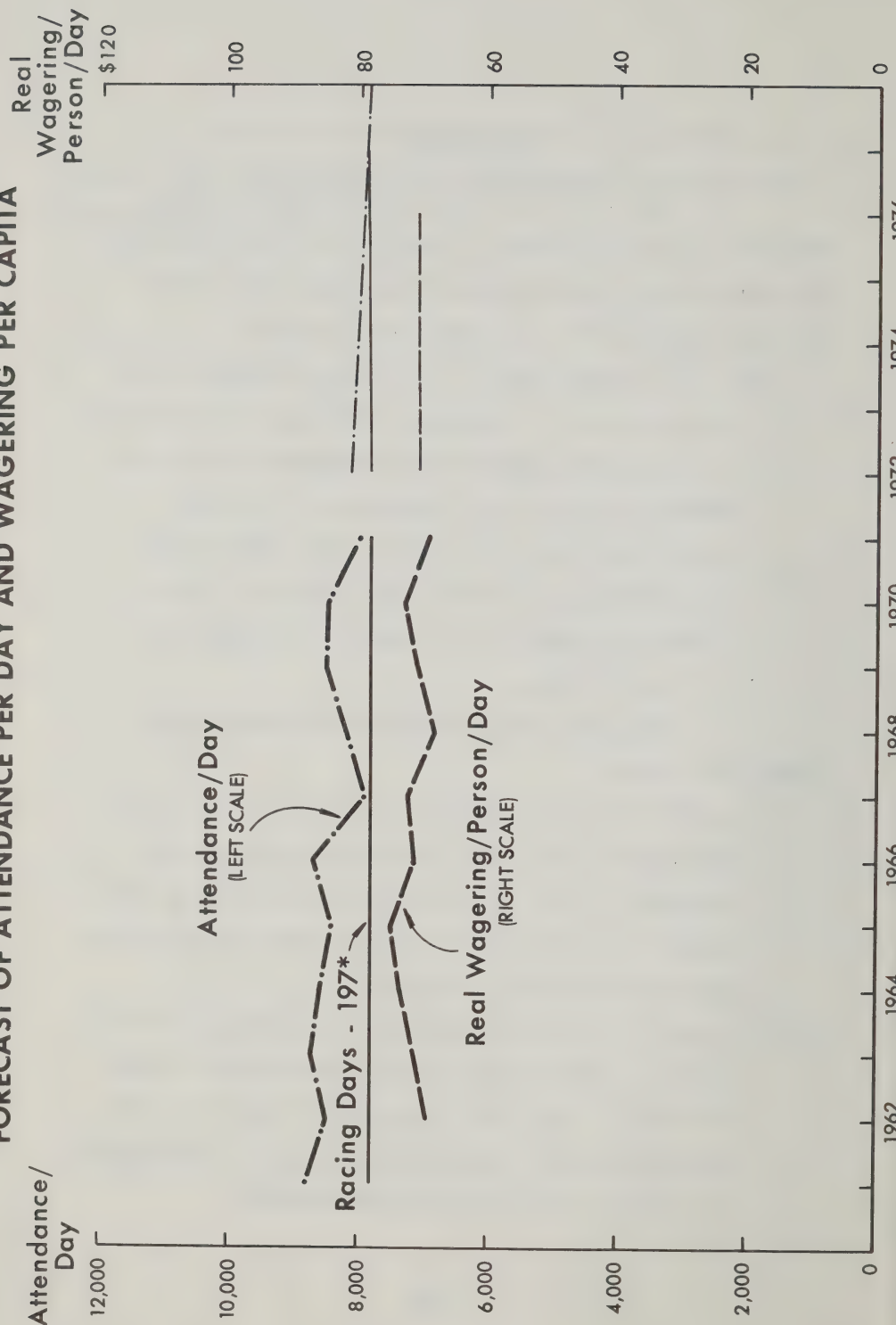
1. There will no major change in the economic environment, or in the structure of, or regulations covering the racing industry.
2. Off-track messenger services will be eliminated by changes in legislation and will not be replaced by a Government controlled off-track betting system. The purpose behind this assumption is to estimate the "status quo" portion of the racing industry in the absence of all legal forms of off-track betting.

The method used to arrive at the forecasts can be summarized as follows:

1. The overall forecast is derived from individual forecasts for thoroughbred, major track standardbred, and minor track standardbred racing. As indicated previously each of these segments have had different market and growth characteristics which require individual analysis.
2. For each of these segments, the factors underlying the overall growth are identified and analysed. These factors include the number of racing days, attendance per day and wagering per person per day. The analysis includes the identification of trends and other factors influencing growth.

THOROUGHBRED

FORECAST OF ATTENDANCE PER DAY AND WAGERING PER CAPITA



3. The forecast is derived primarily by trend projection, modified by the impact of market limitations or other constraints as established by the previous analysis of the industry and the individual tracks. Developments in other jurisdictions have also been used as indicators to the extent that these experiences are considered relevant to Ontario.
4. The total forecast is derived by combining each of the three components described above.

The sections to follow provide the detailed forecasts of the three segments of the industry, thoroughbred, major track standardbred and minor track standardbred racing.

Thoroughbred Racing

The primary factors determining total attendance and wagering volumes for thoroughbred racing are the number of racing days, attendance per day, and wagering per person per day. The chart on the page opposite displays these factors for the period 1962-71.

Racing Days: There has been no significant change in the number of racing days since 1961. (The 17 day increase in 1971 resulted from Windsor's unsuccessful thoroughbred meet which will not be repeated.) In view of the declining attendance, there is no reason to expect any change in the established pattern, and the number of thoroughbred racing days is forecast at the 197 day level to 1977.

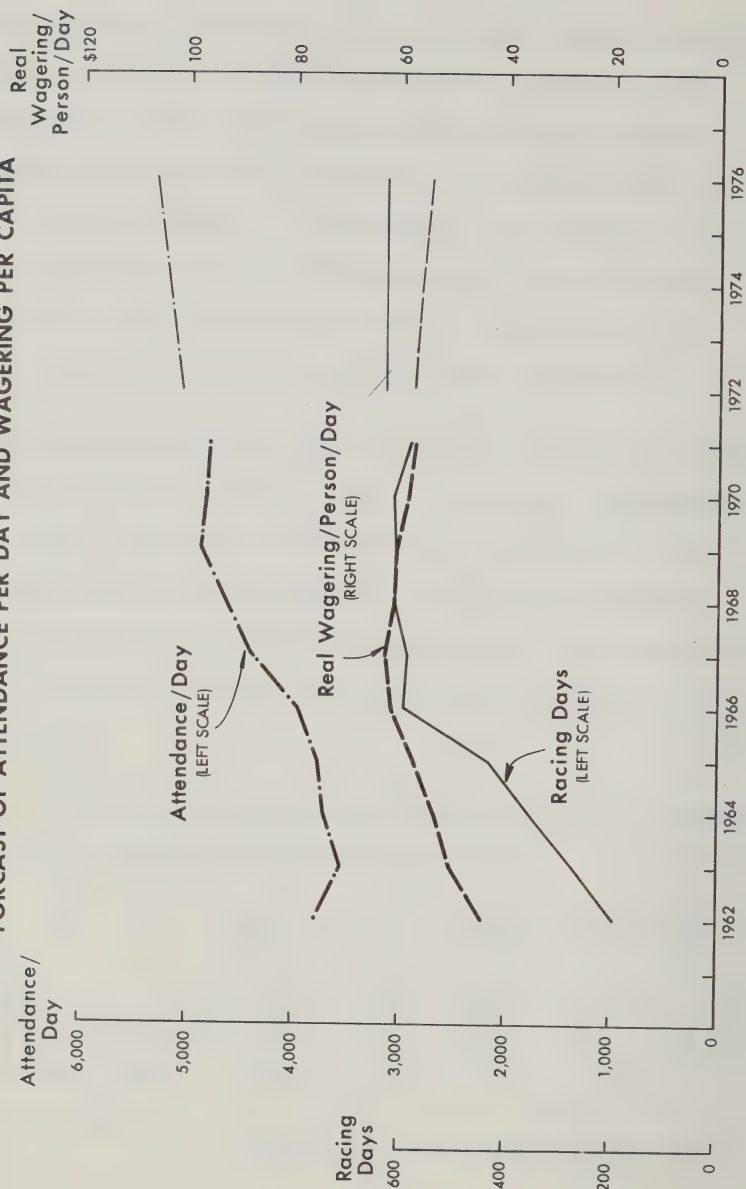
Attendance per Day: Attendance per day fluctuated somewhat irregularly over the period 1962-1971 but the overall trend appears to have been downwards. The sharp decline in 1967 may have been caused by abnormal factors, such as competition from Centennial Year events. A trend analysis of the 1962-1971 data shows that a linear curve provides the best fit and this has been used to forecast attendance per day. The forecast shows an annual decline of 50 persons per day from the 1972 predicted level of 8,130.

Wagering per Person per Day: Real wagering per person per day showed an erratic pattern from 1961 to 1970 but the overall trend appears to be level. The decline in 1971 appears due to special factors including messenger services and the general economic situation. In the circumstances it seems reasonable to assume that future per capita wagering will be equal to the average of the 1961-70 period at \$71.70.

Forecast: The attendance and wagering forecast for the 1972-76 period, based on the elements reviewed above is as follows:

	Year				
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Racing Days	197	197	197	197	197
Attendance/day	8,125	8,075	8,025	7,975	7,925
Real Wagering/person/day (\$)	71.70	71.70	71.70	71.70	71.70
Attendance - Total (000)	1,601	1,591	1,581	1,571	1,561
Real Wagering - Total (\$000)	114,790	114,070	113,360	112,640	111,920

MAJOR TRACK STANDARDBRED FORECAST OF ATTENDANCE PER DAY AND WAGERING PER CAPITA



Major Track Standardbred Racing

The forecast of major track standardbred racing is based on the same method as used above for thoroughbreds. The chart on the page opposite shows major track standardbred racing days, attendance per day and wagering per person per day for the period 1962-1971.

Racing Days: The increase in the number of racing days levelled off with the commencement of operations of the last major track (Windsor) in late 1965. Since that time, the number has fluctuated between 589 and 615 days per annum. The decline in 1971 is attributable to a reduction at Windsor due to a brief and unsuccessful attempt at thoroughbred racing. Future activity is forecast at 630 days per annum in 1972 to 1976. The increase represents the restructuring of racing at Windsor by the addition of a summer meet. In addition there is the possibility of a winter meet at Ottawa, but this is at present highly uncertain due to the large investment required. However, if this does develop, it may be partially offset by some rescheduling of Mohawk and Garden City dates due to competitive and other factors. These factors are the advent of competition to Mohawk, Greenwood and Garden City from a new track at Dundas and the possible impact on Garden City of an Erie County off-track betting system. In all, the forecast of 630 days per annum of major track standardbred racing for the forecast period must be viewed as a qualified one but represents a reasonable expectation for the period.

Attendance per Day: Attendance per day rose sharply from 1963 to 1969, but declined in 1970 and 1971. The reasons for the reversals of these last two years can only be speculative but it is probable that uncertain economic conditions and the advent of off-track betting were adverse general factors.

It is assumed that neither of these factors will be operative in the period to 1976 and, against the background, the forecast has been based on a summary of the market prospects for the individual tracks as follows:

1. Four tracks, Windsor, Garden City, Mohawk and Ottawa are expected to show little or only very minor growth in attendance per day due to competitive or market limitations. Ottawa faces limitations due to relatively limited local markets. Windsor will face stiffening competition from increasingly aggressive Detroit tracks but is adding a summer meet. Mohawk and Garden City will face competition from a new relatively large track at Dundas. Garden City has not shown any significant growth since 1968, and potentially faces the threat of the Erie County off-track betting system.
2. Greenwood and London have been showing a growth trend. However, London growth has been erratic and it faces a potential limitation imposed by the relatively small local market. Greenwood may be marginally affected by the new Dundas track.
3. As suggested, the new Dundas track will probably affect attendance at nearby established tracks but Dundas should also attract new patronage in its own local market area.

In total, the growth in attendance per day has been forecast to increase 2.5% per annum from the 1970 base. On this basis, the forecast attendance per day from 1972 to 1976 is as follows:

1970 -	4,900
1972 -	5,050
1973 -	5,125
1974 -	5,200
1975 -	5,275
1976 -	5,350

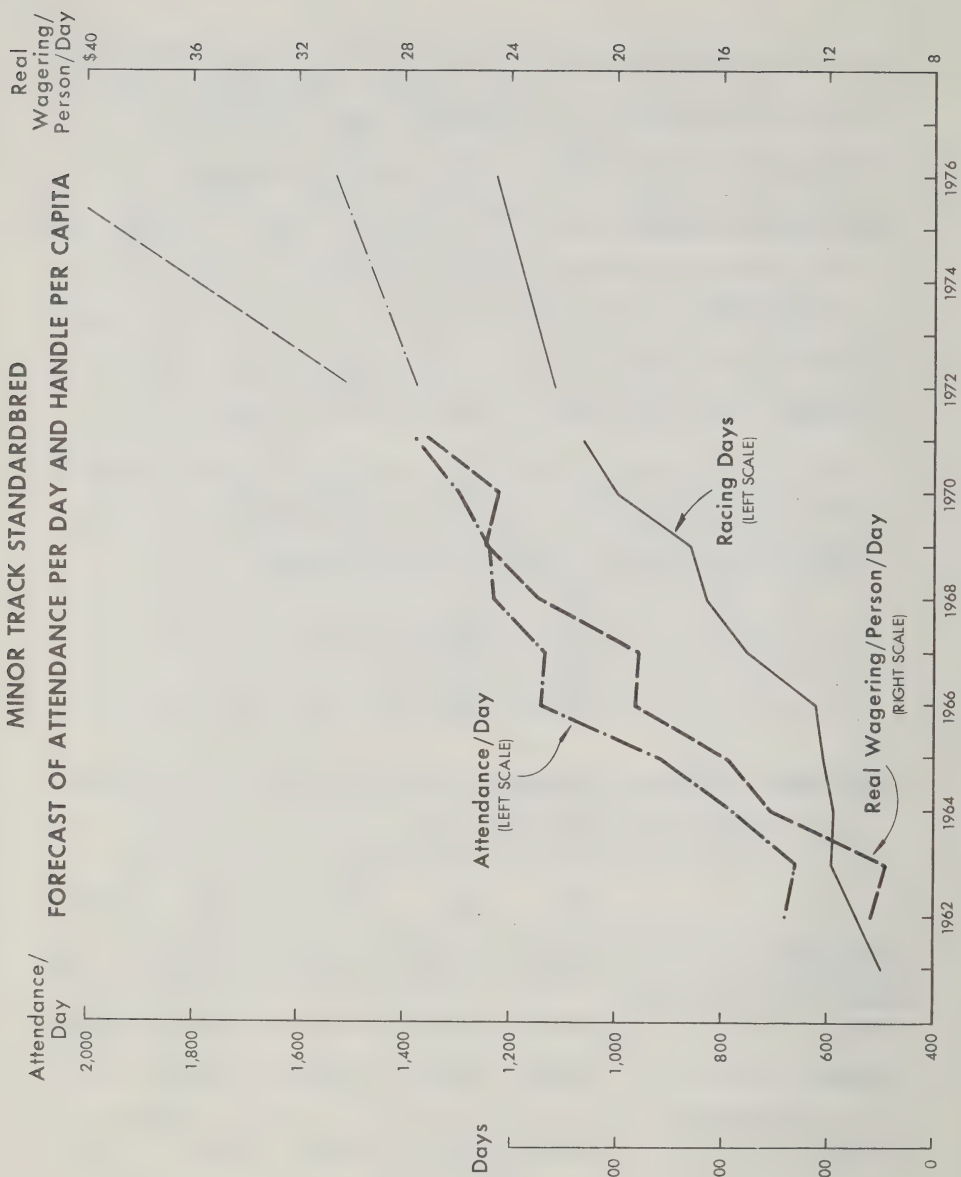
It is recognized that in the face of recent experience, and the difficulties faced by the individual tracks, the forecast represents an expectation of relatively good performance.

Wagering per Person per Day: Real Wagering per person per day at the major tracks has declined at about 1% per year from 1966. The sharper decline in 1971 probably reflects the impact of messenger services, the general economic situation and reduced racing at Windsor, which has an above average per capital handle. It is felt that the future is more likely to reflect the 1966-70 period than the 1971 experience. The forecast has therefore been based upon a projection of the 1966-70 trend as follows:

1972 -	\$57.70
1973 -	57.00
1974 -	56.30
1975 -	55.70
1976 -	55.10

Forecast: The forecast attendance and wagering based on the factors reviewed above are as follows:

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Racing Days	630	630	630	630	630
Attendance/Day	5,050	5,125	5,200	5,275	5,350
Real Wagering/Person/Day (\$)	57.70	57.00	56.30	55.70	55.10
Attendance (000)	3,180	3,230	3,280	3,320	3,370
Real Total Wagering \$000	183,500	184,100	184,700	184,900	185,700



Minor Track Standardbred Racing

The forecast of minor track standardbred attendance and wagering is based on the same method applied for thoroughbred and major track thoroughbred racing. The chart opposite shows racing days, attendance per day and wagering per person per day for the minor tracks for the period 1962-1970.

Racing Days: The number of racing days has increased sharply, from 73 in 1962 to 299 in 1970. The 1970 racing days were distributed over 33 tracks, but 13 of these accounted for 81% of the racing days, the remaining 20 consisting mainly of 1 to 2 day meets frequently in conjunction with local fairs or holidays. The thirteen largest tracks accounted for most (208) of the 226 day increase in racing days between 1962 and 1970. Of these thirteen, only 3 were in operation on any significant scale in 1962, and 10 were new locations since that time. In some cases these new operations appear to represent consolidations of several smaller tracks. Within this overall situation the racing day forecast is based on the following developments:

1. With two exceptions, no significant new minor tracks are expected to go into operation, or are expected to develop from small operations in the next 5 years. Virtually all the major population centres now have racing facilities, with the exception of certain northern cities, and these are probably too far away to attract the necessary horses. The exception referred to previously are Dundas where a proposed track has been granted 69 racing days in 1972, and Sudbury which is considered to have the market and horse population necessary to support a sizable track.

2. It is expected that certain of the more active "B" tracks will continue to expand their racing calendars (The main candidates are considered to be Kingston, Peterborough, Orangeville, Hanover, Trenton and Woodstock). However, part of the increase in racing days will probably be derived by a reduction in smaller "C" track dates as their limited operations are not regarded to be viable in the longer term.

The basis for forecast can therefore be summarized as follows:

- 1972 - 358 days, the increase from 1970 consisting largely of Dundas
- 1973-6 - increasing at 15 days per annum, to accommodate normal expansion of active "B" tracks, and possible track at Sudbury (25 days), partially offset by decrease in "C" racing.

The number of race days used in the forecast is:

1972	- 358 (Approved dates)
1973	- 375
1974	- 390
1975	- 405
1976	- 420

Attendance per Day: The growth in attendance per day has levelled off since 1966. The forecast is based on an extrapolation of the 1966-1970 trend as follows:

1972	- 1,370
1973	- 1,410
1974	- 1,450
1975	- 1,490
1976	- 1,530

The impetus for this increase is expected to come from the new tracks, particularly Orangeville (opened 1970) and Dundas both of which are relatively close to the major population centres. However, the forecast represents a growth rate of only 3% per annum.

Wagering per Person per Day: Minor track real wagering per person per day increased sharply from \$10.40 in 1962 to \$26.96 in 1971.

However, even in 1971, this minor track betting average was much below \$58.60 per person per day experienced by the major standardbred tracks. While a part of this increase has probably been derived from the general increase in disposable income levels, a large part has probably resulted from a change in the character of the minor track patron. Between 1962 and 1970, a large portion of minor track racing changed from races associated with fairs to independent operations with much less, if any overlap with the fairs. The character of the average bettor would therefore change from the incidental bettor at a fair toward that of a race track patron.

The forecast, based on an extrapolation of the average trend experienced between 1962 and 1971, is as follows:

1972 -	\$30.10
1973 -	32.80
1974 -	35.60
1975 -	38.70
1976 -	42.00

This forecast indicates some narrowing of the difference between real wagering per person per day at the minor and major tracks. In 1970, minor track real wagering per person per day was 46% of the major track experience, as compared with 76% forecast for 1976.

Forecast: The forecast attendance and wagering based on the factors reviewed above is as follows:

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1975</u>
Racing Day					
Racing Day	358	375	390	405	420
Attendance/Day	1,370	1,410	1,450	1,490	1,530
Real Wagering/Person/ Day	\$ 30.10	32.80	35.60	38.70	42.00
Attendance (000)	490	528	565	603	660
Real Wagering (\$000)	\$ 14,700	17,300	20,100	23,300	27,700

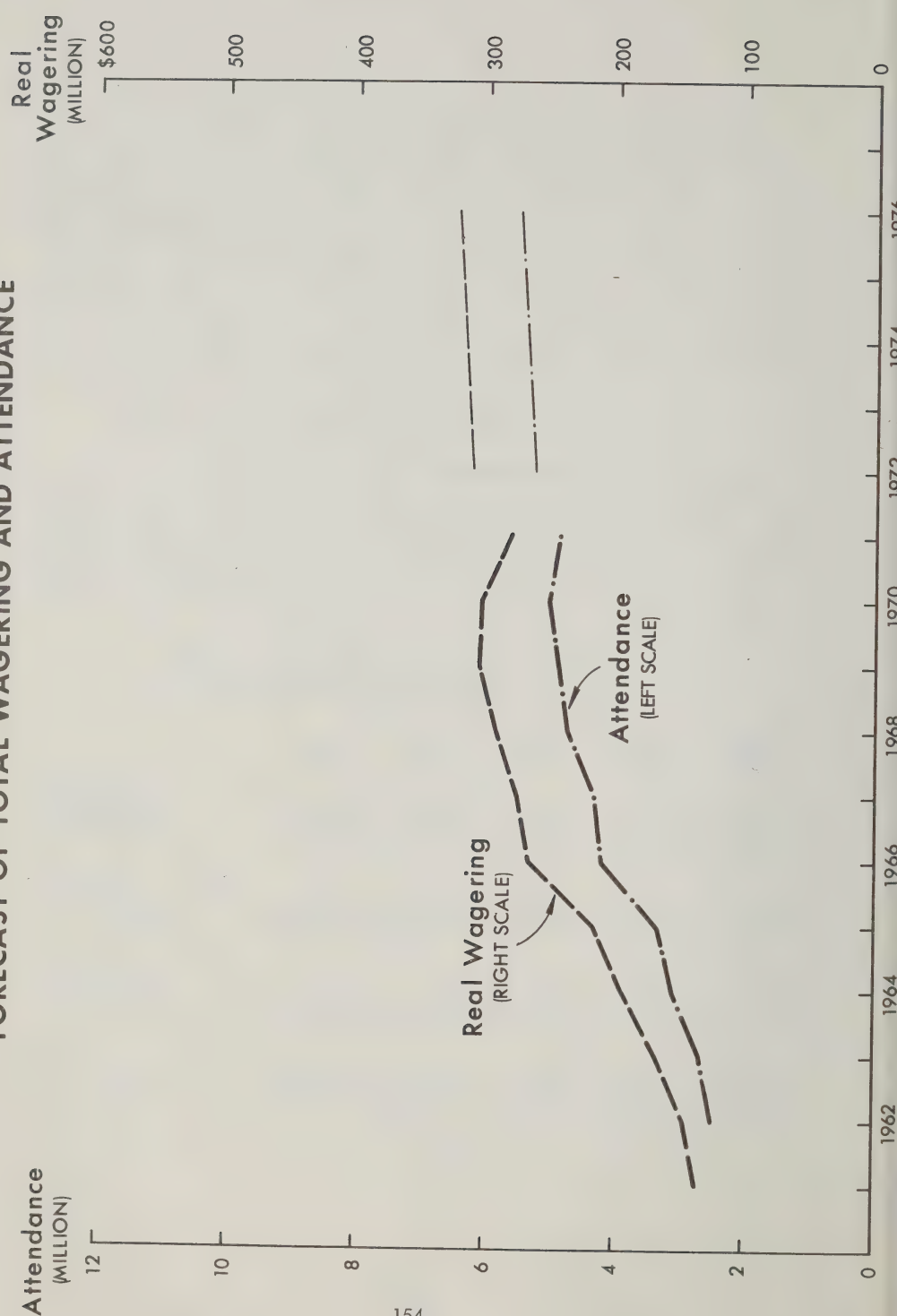
Summary of Forecasts

The following is the attendance and wagering forecast for the racing industry for the period 1972-1976. This forecast consists of the aggregate of the forecasts for the three main segments detailed above.

FORECAST OF ATTENDANCE AND REAL WAGERING ALL TRACKS 1972 - 1976 (000)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Thoroughbred					
- attendance	1,601	1,591	1,581	1,571	1,561
- real wagering	\$114,800	\$114,100	\$113,400	\$112,600	\$111,900
Standardbred - Major					
- attendance	3,180	3,230	3,280	3,320	3,370
- real wagering	\$183,500	\$184,100	\$184,700	\$184,900	\$185,700
Standardbred - Minor					
- attendance	490	528	565	603	660
- real wagering	\$ 14,700	\$ 17,300	\$ 20,100	\$ 23,300	\$ 27,700
Total					
- attendance	5,271	5,349	5,426	5,494	5,591
- real wagering	\$313,000	\$315,500	\$318,200	\$320,800	\$325,300

ALL ONTARIO TRACKS
FORECAST OF TOTAL WAGERING AND ATTENDANCE



This forecast must be recognized as a base projection only. There will be year to year fluctuation caused by economic factors.

The chart on the page opposite shows total wagering and attendance for the period 1967-70 and the forecast for 1972-76. Both attendance and real wagering are expected to grow only slowly in the next five years.

ONTARIO PERSONAL DISPOSABLE INCOME AND TOTAL RACETRACK
WAGERING-ACTUAL AND ESTIMATED
(1961-1970)

Year	Ontario Personal Disposable Income	Actual Total Wagering in Ontario	*Estimated Total Wagering in Ontario	95% Confidence Limit	
	\$ Million	\$ Million	\$ Million	Low \$ Million	High \$ Million
1961	\$10,431	\$106	\$110	\$ 96	\$124
1962	11,187	117	125	112	138
1963	12,030	135	141	129	152
1964	12,818	157	156	146	166
1965	14,119	180	181	172	190
1966	15,624	231	210	202	219
1967	17,027	248	237	228	247
1968	18,381	270	263	252	274
1969	20,144	296	297	283	311
1970	21,355	302	320	304	337

*Estimated by use of an equation of form $Y = A + B X$

Where Y = Total Wagering

A = - 90.5298

B = 1.92488

X = Personal Disposable Income

THE RELATIONSHIP BETWEEN PERSONAL
DISPOSABLE INCOME AND WAGERING

A small percentage of Ontario's personal disposable income is spent on wagering at the Province's racetrack. As the table below shows, the percentage rose from 1.01 in 1961 to 1.48 in 1966 and remained at about that level until 1970 when it declined to 1.42.

TOTAL WAGERING AS A PERCENTAGE OF ONTARIO'S
PERSONAL DISPOSABLE INCOME
(1961-1970)

<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
1.01	1.04	1.12	1.22	1.27	1.48	1.46	1.47	1.47	1.42

There is apparently a correlation between total wagering and total personal disposable income although it is difficult to determine whether there is a causal relationship. A regression analysis shows that the index of determination between the two series from 1961 to 1970 is high at 0.979. The table opposite shows personal disposable income and actual total wagering for the period 1961 to 1970 together with the predicted level of total wagering for the same period given by the equation which provides the best fit.

The apparent correlation between the two series raises the question as to whether total wagering could be predicted from a prediction of personal disposable income using the equation show opposite. While there is a case to be made for expecting that increasing income would

lead to a greater ability to wager, an examination of the factors underlying the growth of wagering in the past decade suggests that this is not a complete explanation. The fact that both income and wagering have grown strongly over the past decade suggests that the correlation may be between each series and time rather than between the two series. In addition the growth of wagering at Windsor, which in 1970 accounted for almost 20% of total wagering, owes very little to rising personal disposable income in Ontario, since a high proportion of Windsor's wagering comes from the U.S. Another point to consider is that much of the growth in wagering has resulted from an increase in the supply of racing, both in terms of the opening of new tracks and in terms of an increase in the number of racing days at established tracks. Neither of these trends appear likely to continue to operate with the same force in the next decade. There are now few reasonably populated areas of the Province which do not have relatively easy access to a racetrack and few new racetracks appear to be planned. The number of days racing is not expected to show much increase at the major tracks in future since the growth trend has been levelling off since 1966.

Finally, the growth in attendance per day at the major trends has showed some signs of slowing down in recent years.

Consequently, the main force behind any future expansion in total wagering is likely to be increased per capita wagering. While this is itself may be related to personal disposable income, it is unlikely to produce the rate of growth in total wagering experienced in the 1960's given the expected reduced growth in racing days and attendance per day.

ONTARIO PER CAPITA DISPOSABLE INCOME AND PER CAPITA
THOROUGHBRED WAGERING-ACTUAL AND ESTIMATED
(1962-1970)

Year	Per Capita Disposable Income \$	Actual Per Capita Thoroughbred Wagering \$	Estimated* Per Capita Thoroughbred Wagering \$	95% Confiden Limit	
				Low \$	High \$
1962	\$1,761	\$54.2	\$55.6	\$53.6	\$57.
1963	1,856	56.7	56.8	54.9	58.
1964	1,953	59.3	58.1	56.5	59.
1965	2,080	62.2	59.8	58.4	61.
1966	2,245	61.3	62.2	60.8	63.
1967	2,382	64.2	64.1	62.7	65.
1968	2,516	63.5	66.1	64.4	67.
1969	2,703	68.6	69.0	66.7	71.
1970	2,796	72.3	70.5	67.8	73.

*Estimated by use of equation of form $Y = A \times \text{Exp} (Bx)$

Where Y = Per Capita Wagering on Thoroughbreds

A = 370.2

B = 0.000230519

X = Per Capita Disposable Income

The correlation observed between personal disposable income and total wagering may not therefore be as close in future as it has been in the past. However, in order to see to what extent personal disposable income might be used as a predictor of per capita wagering, additional work was carried out as follows. The relation between per capita disposable income and per capita wagering on thoroughbred and major standardbred racing was analysed. There is a correlation between per capita disposable income and per capita wagering on thoroughbred in the period 1962 to 1970, the index of determination being 0.920355. The table opposite shows details of the analysis and provides the equation used.

There is also a correlation between per capita disposable income and per capita wagering at major standardbred tracks, the index of determination being 0.967143. The table overleaf shows details of the analysis.

The correlation between per capita disposable income and per capita wagering, as indicated by the above analysis, would appear to be more genuine than in the case of total personal disposable income and total wagering. There is still the problem of Windsor's U.S. wagering in the case of per capita major standardbred racing. Much of the growth in this type of wagering is due to the growth of Windsor since this track's per capita wagering is substantially above the Provincial average and racing only commenced at the track halfway through the decade.

ONTARIO PER CAPITA DISPOSABLE INCOME AND PER CAPITA MAJOR
STANDARDBRED WAGERING ACTUAL AND ESTIMATED
(1962-1970)

Year	Per Capita Disposable Income \$	Actual Per Capita Major Standardbred Wagering \$	Estimated* Per Capita Major Standardbred Wagering \$	95% Confidence Limit	
				Low \$	High \$
1962	\$1,761	\$34.5	\$36.6	\$34.0	\$39.1
1963	1,856	39.8	39.9	37.8	42.0
1964	1,933	42.8	42.4	40.6	44.2
1965	2,080	47.4	46.7	45.2	48.1
1966	2,245	52.7	50.8	49.4	52.2
1967	2,382	55.7	53.8	52.2	55.3
1968	2,516	57.0	56.4	54.6	58.1
1969	2,703	58.9	59.5	57.4	61.7
1970	2,796	58.2	61.0	58.7	63.3

*Estimated by use of equation of form $Y = A \times \frac{(B)}{X}$

Where Y = Per Capita Major Standardbred Wagering

A = 1025.26

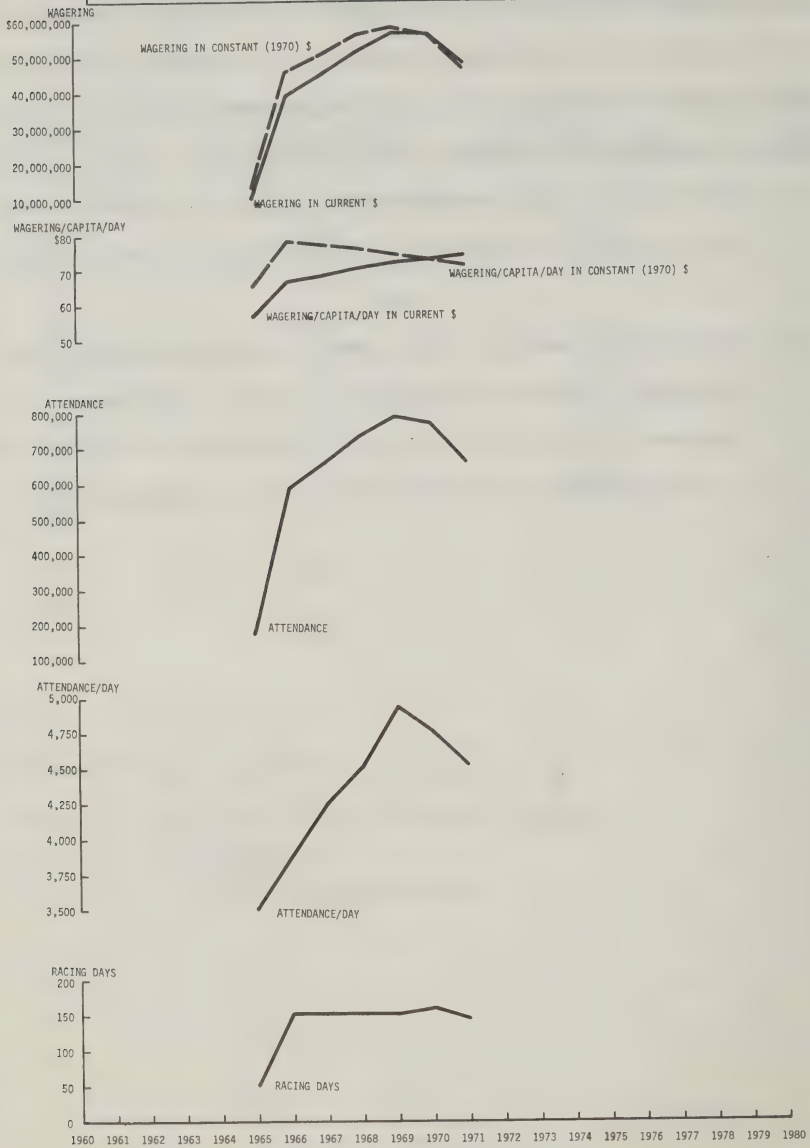
B = - 0.00000116173

X = Per Capita Disposable Income

In summary, there is enough statistical evidence to suggest that inferences can be drawn as to volumes of per capita wagering in both the thoroughbred and standardbred categories at projected levels of per capita disposable income. But, it must be emphasized that such inferences should be tempered with caution. This is because:

- a) the historical period available for analysis is relatively short
thus reducing the reliability of the historical relationships
and
- b) throughout the period for which data are available special (non-recurring) factors were probably relatively important e.g. the increase in the supply of racing and particular situations such as the dependence of Windsor on U.S. bettor participation.

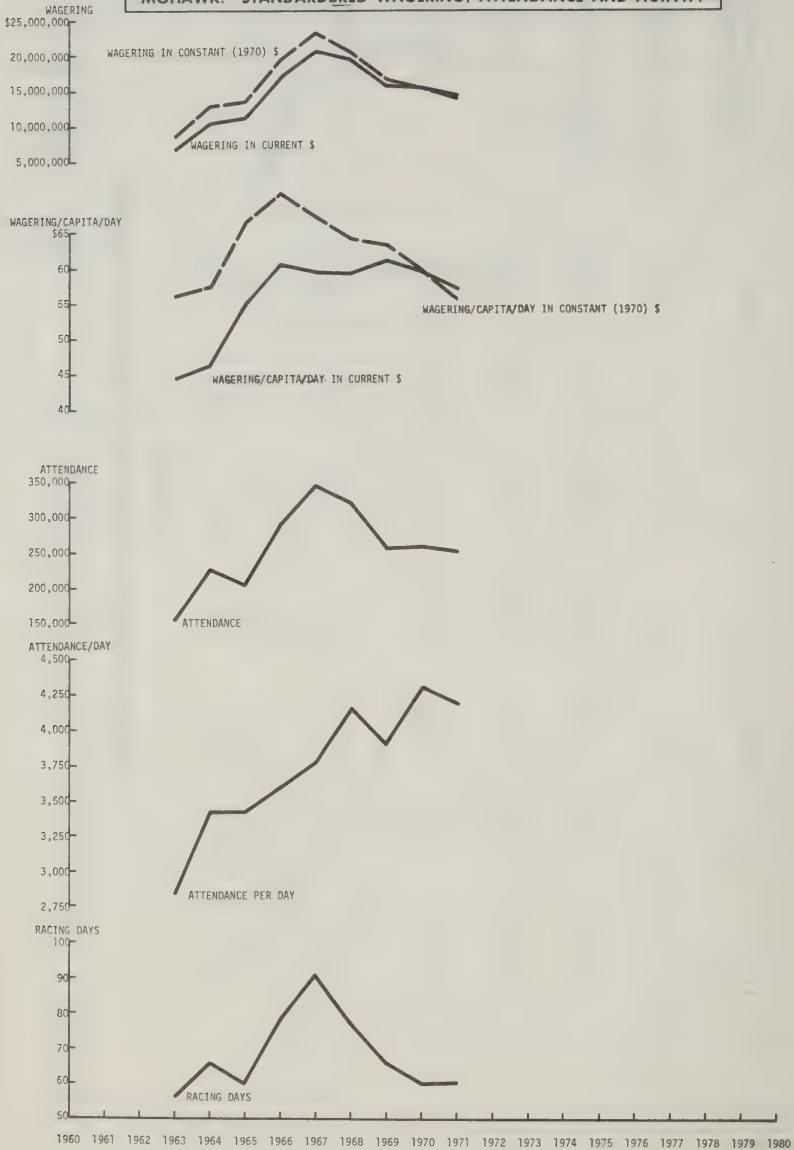
WINDSOR RACEWAY: STANDARDBRED WAGERING, ATTENDANCE AND ACTIVITY



WINDSOR STANDARDRED RACING ACTIVITY, ATTENDANCE & WAGERING1965-1971

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Racing Days	51	152	154	163	161	162	145
Attendance (000)	178.7	590.6	657.4	734.9	787.8	769.6	656.1
Attendance/Day	3,503	3,886	4,269	4,509	4,893	4,751	4,525
Wagering (\$000) in Current \$	10,188	39,655	45,091	51,921	56,784	56,527	48,409
Wagering (\$000) in Constant (1970) \$	12,307	46,158	50,682	56,069	58,658	56,527	46,908
Wagering/Person/Day in Current \$	57.02	67.14	68.59	70.64	72.08	73.44	73.80
Wagering/Person/Day in Constant (1970) \$	68.88	78.15	77.10	76.28	74.46	73.44	71.51

MOHAWK: STANDARDBRED WAGERING, ATTENDANCE AND ACTIVITY

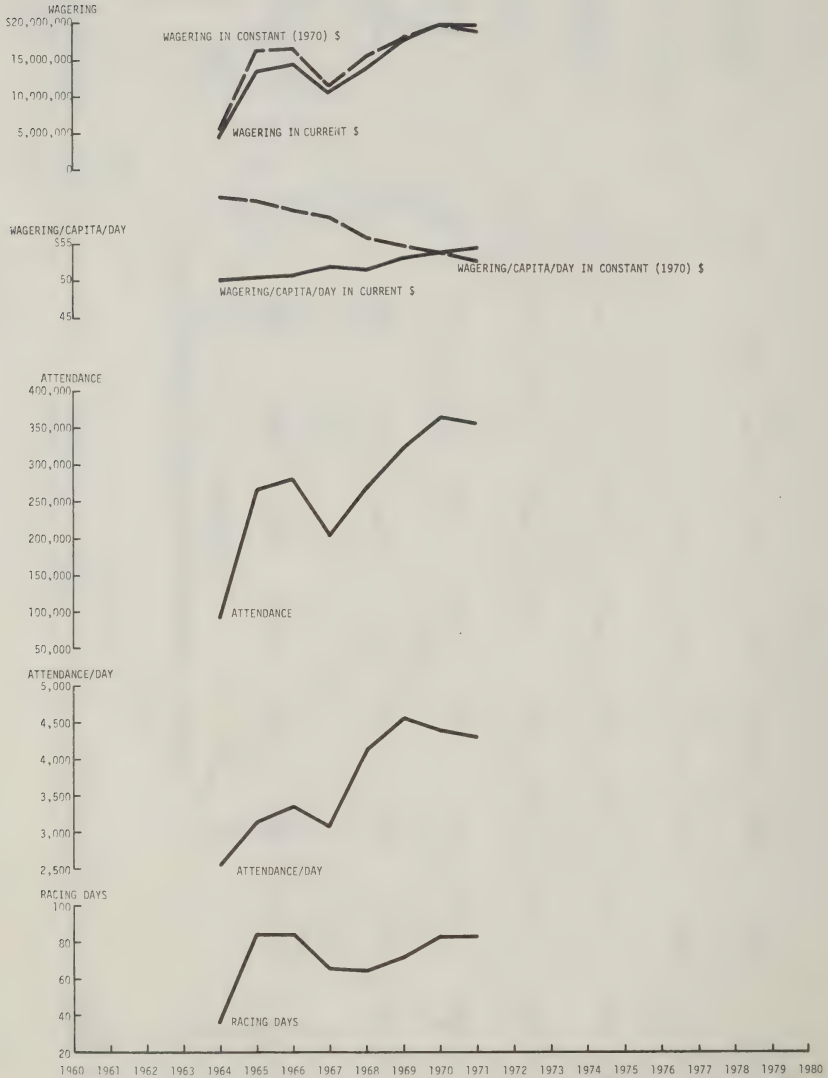


MOHAWK STANDARDBRED RACING ACTIVITY, ATTENDANCE & WAGERING

1963-1971

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Racing Days	56	66	60	78	91	77	66	60	60
Attendance (000)	155.1	226.1	205.6	280.6	345.6	319.6	257.7	259.6	252.7
Attendance/Day	2,769	3,426	3,427	3,597	3,789	4,150	3,905	4,327	4,200
Wagering (\$000) in Current \$	6,915	10,503	11,352	17,087	20,725	19,062	15,853	15,516	14,535
Wagering (\$000) in Constant (1970) \$	8,706	13,003	13,713	19,889	23,295	20,585	16,377	15,516	14,086
Wagering/Person/Day in Current \$	44.59	46.45	55.22	60.90	59.97	59.65	61.51	59.76	57.50
Wagering/Person/Day in Constant (1970) \$	56.14	57.51	66.71	70.89	67.41	64.42	63.54	59.76	55.72

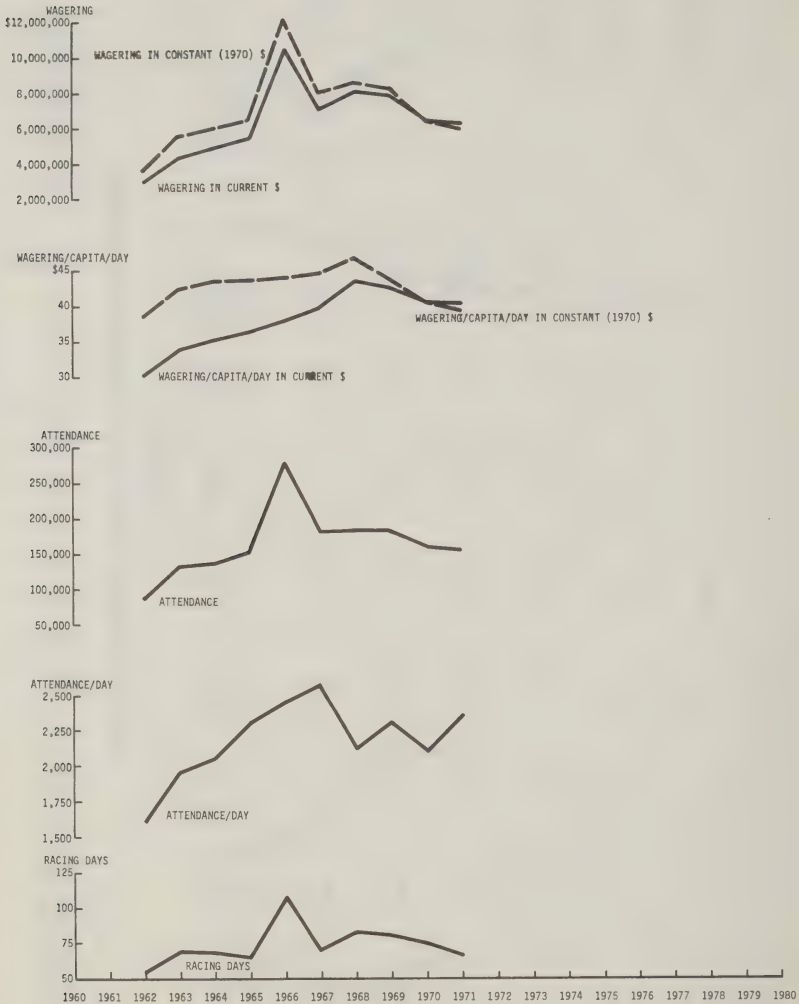
GARDEN CITY: STANDARDBRED WAGERING, ATTENDANCE AND ACTIVITY



GARDEN CITY STANDARDRED RACING ACTIVITY, ATTENDANCE & WAGERING

	<u>1964-1971</u>							
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Racing Days	36	85	84	66	65	72	83	83
Attendance (000)	92.0	269.1	281.3	203.4	269.9	325.0	364.5	356.8
Attendance/Day	2,555	3,166	3,349	3,081	4,152	4,514	4,391	4,300
Wagering (\$000) in Current \$	4,602	13,545	14,298	10,559	13,953	17,262	19,612	19,360
Wagering (\$000) in Constant (1970) \$	5,697	16,362	16,643	11,868	15,068	17,832	19,612	18,759
Wagering/Person/Day in Current \$	50.03	50.33	50.82	51.92	51.70	53.11	53.81	54.30
Wagering/Person/Day in Constant (1970) \$	61.94	60.80	59.15	58.36	55.83	54.86	53.81	52.62

CARLETON: STANDARDBRED WAGERING, ATTENDANCE AND ACTIVITY

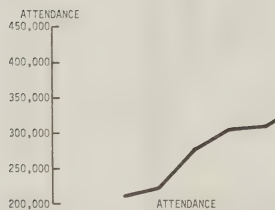
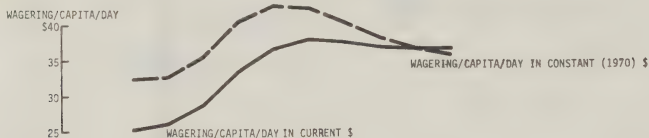
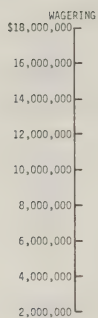


CARLETON STANDARDIZED RACING ACTIVITY, ATTENDANCE & WAGERING

1962-1971

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Racing Days	55	68	67	66	113	70	88	81	75	66
Attendance (000)	88.9	132.6	137.4	151.6	278.7	179.4	186.8	186.2	158.2	155.6
Attendance/Day	1,617	1,947	2,050	2,298	2,466	2,563	2,123	2,299	2,110	2,358
Wagering (\$000) in Current \$	2,962	4,465	4,855	5,509	10,551	7,172	8,107	7,923	6,392	6,284
Wagering (\$000) in Constant (1970) \$	3,797	5,621	6,010	6,655	12,281	8,061	8,755	8,184	6,392	6,089
Wagering/Person/Day in Current \$	30.27	33.74	35.34	36.33	37.86	39.78	43.40	42.55	40.39	40.38
Wagering/Person/Day in Constant (1970) \$	38.81	42.48	43.75	43.89	44.07	44.70	46.87	43.96	40.39	39.13

LONDON: STANDARDBRED WAGERING, ATTENDANCE AND ACTIVITY

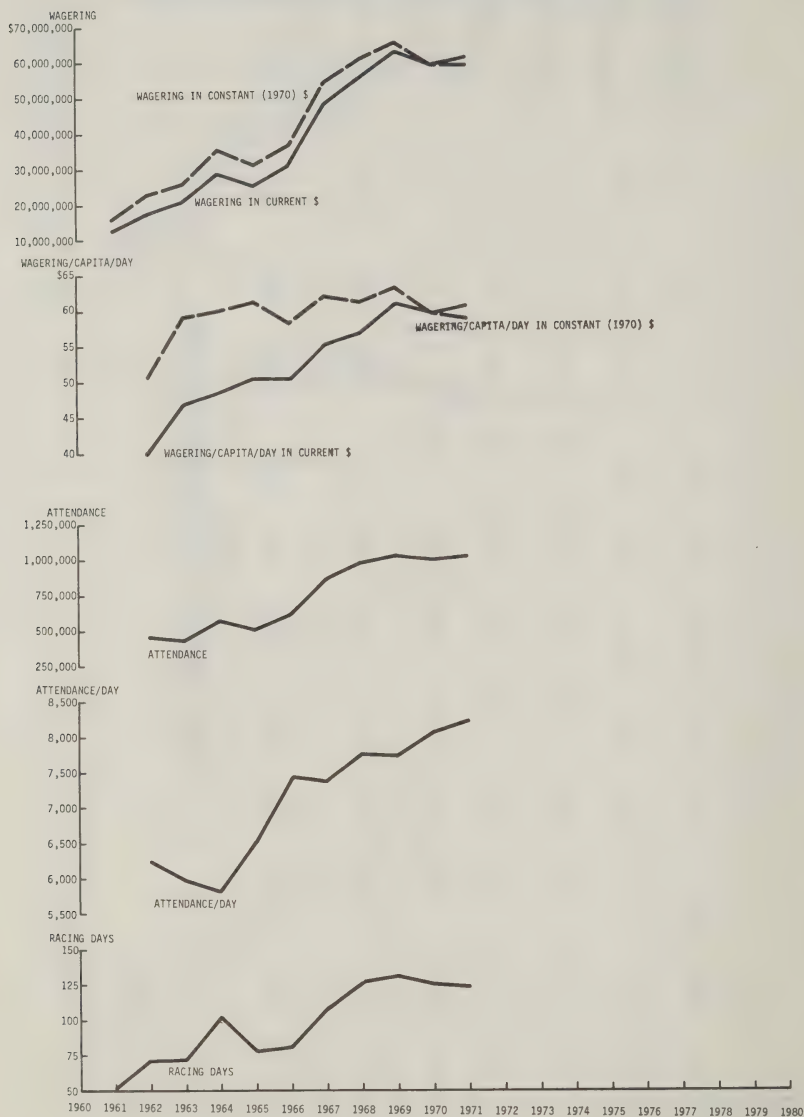


LONDON STANDARDISED RACING ACTIVITY, ATTENDANCE & WAGERING

1961-1971

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Racing Days	55	70	72	86	90	87	91	92	96	110	110
Attendance (000)	N/A	209.1	223.7	275.4	303.7	308.6	335.1	345.5	387.2	410.2	384.6
Attendance/Day	N/A	2,988	3,107	3,203	3,375	3,547	3,683	3,756	4,033	3,729	3,500
Wagering (\$000) in Current \$	3,452	5,307	5,811	7,882	10,160	11,381	12,725	12,963	14,266	15,059	14,161
Wagering (\$000) in Constant (1970) \$	4,477	6,804	7,316	9,758	12,273	13,247	14,303	13,999	14,737	15,059	13,722
Wagering/Person/Day in Current \$	N/A	25.38	25.98	28.62	33.45	36.88	37.97	37.51	36.85	36.71	36.80
Wagering/Person/Day in Constant (1970) \$		32.54	32.71	35.43	40.40	42.92	42.67	40.51	38.07	36.71	35.66

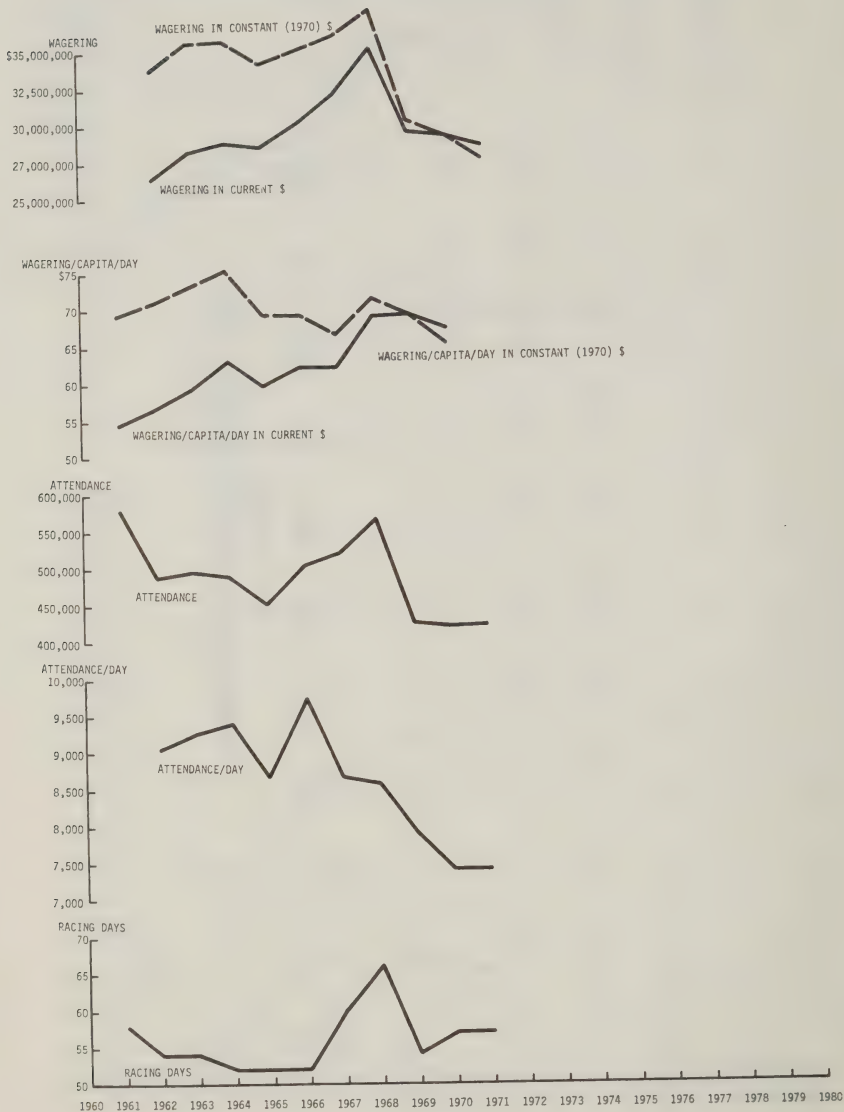
GREENWOOD: STANDARDBRED WAGERING, ATTENDANCE AND ACTIVITY



GREENWOOD STANDARDIZED RACING ACTIVITY, ATTENDANCE & WAGERING

	<u>1961-1971</u>										
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Racing Days	52	72	73	102	78	83	118	126	132	125	124
Attendance (000)	N/A	450.2	437.6	593.7	507.7	618.6	871.8	981.2	1,025.0	1,007.6	1,017.7
Attendance/Day	N/A	6,253	5,994	5,821	6,509	7,453	7,388	7,787	7,765	8,061	8,207
Wagering (\$000) in Current \$	12,328	17,826	20,562	28,812	25,815	31,244	48,181	55,717	62,703	59,637	61,638
Wagering (\$000) in Constant (1970) \$	15,989	22,853	25,888	35,669	31,185	36,368	54,155	60,169	64,772	59,637	59,727
Wagering/Person/Day in Current \$	N/A	39.60	46.99	48.53	50.85	50.47	55.26	56.79	61.18	59.19	60.60
Wagering/Person/Day in Constant (1970) \$	N/A	50.77	59.16	60.08	61.43	58.75	62.11	61.33	63.20	59.19	58.72

GREENWOOD: THOROUGHBRED WAGERING, ATTENDANCE AND ACTIVITY

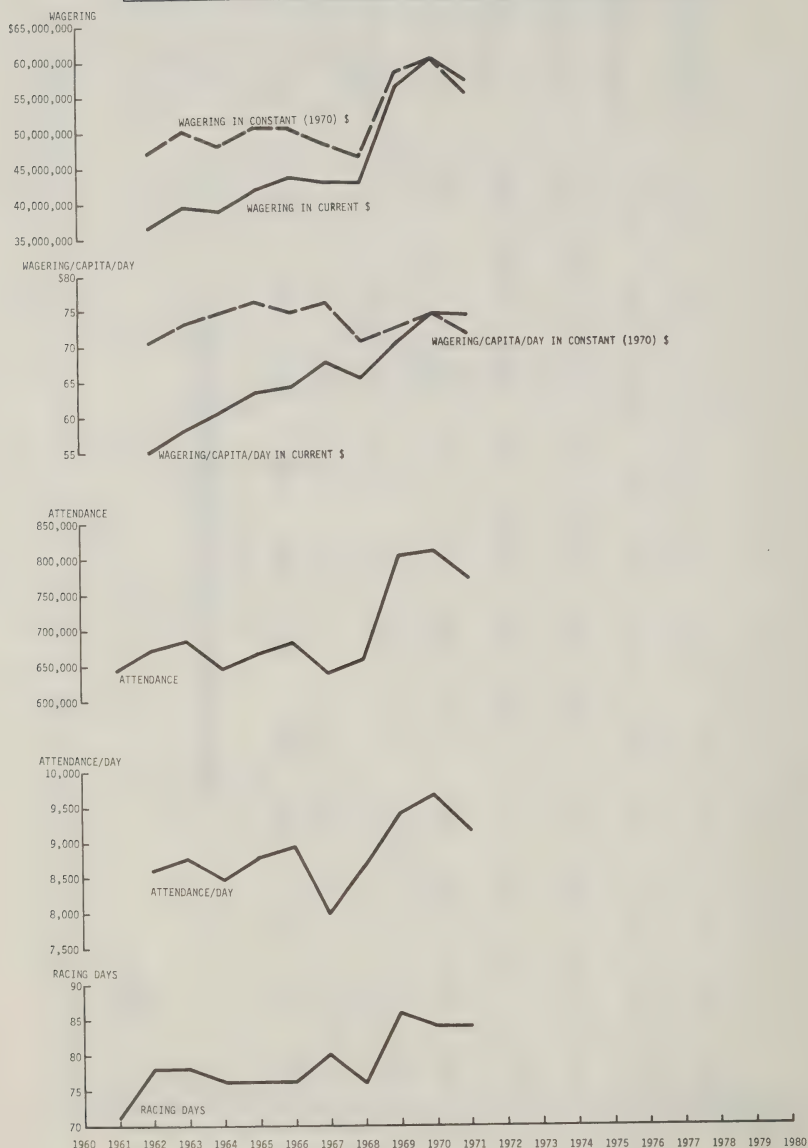


GREENWOOD THOROUGHBRED RACING ACTIVITY, ATTENDANCE & WAGERING

1961-1971

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Racing Days	58	54	54	52	52	52	60	66	54	57	57
Attendance (000)	581	488	499	488	452	506	521	566	425	420	422
Attendance/Day	10,017	9,043	9,248	9,391	8,695	9,735	8,682	8,582	7,874	7,373	7,400
Wagering (\$000) In Current \$	28,684	26,484	28,306	28,927	28,536	30,291	32,186	35,135	29,458	29,144	28,500
Wagering (\$000) In Constant (1970) \$	37,203	33,952	35,637	35,812	34,471	35,259	36,177	37,943	30,430	29,144	27,617
Wagering/Person/Day In Current \$	49.37	54.23	56.68	59.23	63.12	59.83	61.79	62.03	69.28	69.35	67.50
Wagering/Person/Day In Constant (1970) \$	64.03	69.52	71.36	73.33	76.25	69.64	69.45	66.99	71.57	69.35	65.41

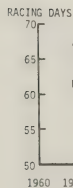
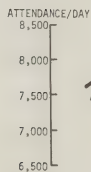
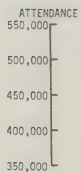
WOODBINE: THOROUGHBRED WAGERING, ATTENDANCE AND ACTIVITY



MODELINE THOROUGHBRED RACING ACTIVITY, ATTENDANCE & WAGERING

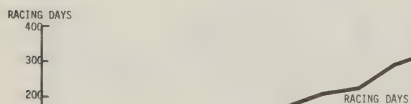
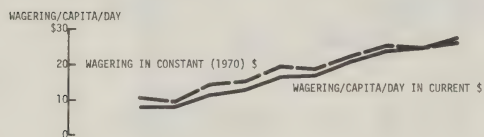
	1961-1971											
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	
Racing Days	71	78	78	76	76	76	80	76	86	84	84	
Attendance (000)	643	671	685	646	667	681	639	657	805	813	770	
Attendance/Day	9,056	8,623	8,786	8,495	8,780	8,961	7,990	8,651	9,358	9,676	9,160	
Wagering (\$000) in Current \$	34,464	36,971	39,913	39,043	42,199	43,768	43,277	43,190	56,677	60,585	57,100	
Wagering (\$000) in Constant (1970) \$	44,700	47,397	50,250	48,335	50,976	50,946	48,643	46,641	58,547	60,585	55,330	
Wagering/Person/Day in Current \$	53.59	55.11	58.24	60.47	63.23	64.26	67.70	65.69	70.43	74.54	74.20	
Wagering/Person/Day in Constant (1970) \$	69.50	70.65	73.32	74.86	76.38	74.80	76.09	70.94	72.75	74.54	71.90	

FORT ERIE: THOROUGHBRED WAGERING, ATTENDANCE AND ACTIVITY



FORT ERIE THOROUGHBRED RACING ACTIVITY, ATTENDANCE & WAGERING													
<u>1961-1971</u>													
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>		
Racing Days	67	64	64	68	68	68	56	54	56	56	56		
Attendance (000)	506	511	517	543	519	521	400	390	430	429	389		
Attendance/Day	7,557	7,991	8,071	7,987	7,626	7,660	7,134	7,214	7,685	7,662	6,940		
Wagering (\$000) in Current \$	26,402	27,023	28,264	31,495	31,136	30,586	24,707	24,114	27,842	30,366	27,400		
Wagering (\$000) in Constant (1970) \$	34,243	34,643	35,584	38,991	37,612	35,602	27,771	26,041	28,389	30,366	26,551		
Wagering/Person/Day in Current \$	52.14	52.84	54.72	57.99	60.04	58.72	61.84	61.90	64.70	70.77	70.50		
Wagering/Person/Day in Constant (1970) \$	67.63	67.74	68.89	71.79	72.53	68.35	69.51	68.85	66.84	70.77	68.31		

MINOR TRACKS: STANDARDBRED WAGERING, ATTENDANCE AND ACTIVITY



1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980

THE EFFECT OF OFF-TRACK BETTING ON
RACETRACKS REVENUES AND EXPENSES

The purpose of this appendix is to estimate the changes in racetracks' revenues and expenditures which have occurred as a result of the activities of the existing off-track messenger services and which are expected to continue if a Government sponsored off-track betting system is introduced. It should be emphasized that the estimates made are, for the most part, based upon very raw data and should be regarded in that light.

The estimates have been arrived at in the following manner. The track's 1970 accounts have been analysed to determine the source and amount of those revenues which are expected to vary as a result of changes in attendance or on-track wagering. Estimates have then been made as to the extent to which the expenses associated with each source of revenue are likely to vary with changes in those revenues. (The main sources for these estimates are short discussions with officials at each of the tracks concerned and not a detailed investigation of track accounts.) By deducting the expenses from the revenues, an estimate of the net loss per patron lost or per dollar of wagering lost is obtained.

The per patron and per dollar losses are then converted to total losses by applying data on attendance and wagering changes calculated by Innovative Marketing (1971) Limited. These data are only available for the Jockey Club tracks as a group and not for individual Jockey Club tracks, or for other Ontario tracks.

Revenue

It has been assumed that the only categories of revenue to be affected by off-track betting would be commissions on wagering, admissions and concessions. The other track revenues are mainly items such as interest or premium on U.S. funds, which are not dependent on Canadian attendance or wagering.

Table X (opposite page 43) of this report shows the breakdown of revenues for all major tracks in 1970.

Commissions and break were \$31.7 million from which purses of \$13.2 million should be deducted, leaving a net revenue before other operating expenses of \$18.5 million. This sum is equivalent to about 6.3% of wagering on all major tracks. Because commissions are on a sliding scale related to volume and because purses vary slightly from track to track, the net revenue before operating expenses expressed as a percentage of wagering also varies from one track to another. The table below shows the 1970 experience of the individual tracks:

Commission and Break Revenue as a % of Wagering
(after deducting purses)

<u>Jockey Club</u>	<u>Windsor</u>	<u>London</u>	<u>Ottawa</u>	<u>All Major Tracks</u>
6.0	5.8	6.9	7.5	6.3

Admission and concession revenue at all major tracks in 1970 were \$5.6 million and \$7.7 million respectively. On a per capita basis, these sums are equivalent to \$1.23 for admissions and \$1.68 for concessions. Once again the experience of the individual track varies,

due to differences in the prices, qualities and amounts of services provided. The table below shows the individual track data:

Per Capita Admission* and Concession Revenues
1970
\$

	<u>Jockey Club</u>	<u>Windsor</u>	<u>London</u>	<u>Ottawa</u>	<u>All Major Tracks</u>
Admission/capita	1.28	1.18	0.89	0.63	1.23
Concession/capita	1.65	2.32	0.72	0.99	1.68

* Attendance data relate to the calendar year which does not correspond in all cases to the fiscal year on which revenue data are based.

Expenses

It has been assumed that even under a Government sponsored off-track betting system all major tracks would continue to attract a substantial portion of their 1970 attendance and on-track wagering and would continue to provide approximately the same quality and volume of racing. Therefore, overhead expenses and all those expenses directly associated with the volume of racing, such as track maintenance, would probably be the same as they would have been in the absence of an off-track betting system. On the other hand, those expenses directly associated with wagering and attendance, such as pari-mutual wages or cost of food, are likely to diminish as on-track wagering and attendance diminish.

Only a rough estimate of the decline in direct expenses can be made because track accounts do not always distinguish between those items which are variable and those which are fixed. Another reason for

the approximate nature of the estimate is that, without a detailed costing exercise, it is difficult to determine the exact relationship between many direct expenses and volume of attendance or wagering. Discussions with officials at major tracks indicate that some major direct expenses do not vary in direct proportion to changes in volume because certain amenities must continue to be offered to those patrons who continue to attend. At Windsor, for example, the few Canadian pari-mutual windows would have to be manned even if Canadian attendance dropped significantly. In the estimates that follow we have indicated, where available, the maximum extent to which expenses could drop at each major track if direct expenses varied strictly in accordance with volume. We have also shown the extent to which direct expenses are likely to fall, based upon our discussions with track officials.

The Jockey Club

Commission Expenses

Pari-mutual wages and other direct expenses amount to about 35% of commission revenues, after allowing for purse deductions. As shown earlier, the Jockey Club's commission revenues are equal to 6% of wagering, thus after allowing for direct (but not fixed) expense the profit from wagering is equal to 65% of 6% or 3.9%. Therefore, even if all Jockey Club direct expenses declined in direct proportion to the volume of wagering lost to off-track betting services, the Club would experience a loss of gross profit of 3.9 cents for every \$1 lost in wagering. However, a short costing exercise by the Jockey Club indicates that direct costs would not decline in proportion to revenue. For example,

on the assumption that wagering declined by 10%, it was estimated that total pari-mutual expenses would fall by only 4%, and by 6% in the case of a 20% decline in wagering. Jockey Club gross profits on wagering would therefore decline more than in proportion to the decline in wagering.

Admission Expenses

No accounting data are readily available on the direct expenses associated with admission revenues. Discussions with track officials indicate that these expenses are relatively low, in the region of 20 to 30% of revenue for most tracks. No information is available on the extent to which direct admission expenses would decline with a decline in the numbers attending. For the purpose of this exercise it has been assumed that direct admission expenses are 25% of revenues and would decline in proportion to the decline in attendance. On this basis every patron lost would result in a gross profit loss of \$1.28 less 32 cents direct expenses = 96 cents.

Concession Expenses

Food and liquor sales, programmes and parking are the principal sources of concession expenses. The percentage of revenue attributable to direct expenses varies considerably from one item to another, but the overall average is estimated at about 70%. It has been assumed that these expenses would decline in direct proportion to the decline in revenues. On this basis, every patron lost would result in a gross profit loss of \$1.65 less \$1.15 direct expenses = 50 cents.

Windsor

Commission Expenses

Total commission direct expenses are estimated at about 2% of the handle, or about 34% of commission revenue after allowing for purse deductions. As shown earlier, Windsor's commission revenues are equal to about 5.8% of wagering, thus after allowing for direct expenses, the profit from wagering is 66% of 5.8% or 3.8%. If Windsor's direct expenses declined in direct proportion to the volume of wagering lost, the track would experience a loss of 3.8 cents for every dollar lost in wagering.

Discussions with track officials indicate that in practise there would be very little saving in commission expenses with a decline in wagering of the order of 10 to 20% although they were unable to quantify the potential decline.

Admission Expenses

While accounting data are not readily available on direct admission expenses, it is estimated that they average about 15% of revenue. If these expenses declined in direct proportion to attendance the loss in revenue would be \$1.18 less 18 cents direct expenses = \$1.00 per patron lost. However, track officials indicate that admission expenses would decline less than in proportion to attendance.

Concession Expenses

Concession revenues include food and bar sales, programmes and parking. The average percentage of revenue attributable

to direct expenses is approximately 70%. It seems likely that most of these expenses would decline approximately in proportion to revenue. On these basis, the loss of profit per patron lost would be \$2.32 less \$1.62 direct expenses = 70 cents.

London

Commission Expenses

London's direct commission expenses vary from $1\frac{1}{2}$ to 2% of the handle. Commission revenue after purses is equivalent to 6.9% of the handle leaving a gross profit after direct expenses of 5.4% to 4.9% of the handle. Thus, if direct expenses declined in proportion to revenue, the track would lose 5.4 to 4.9 cents per dollar lost in wagering. However, track officials indicated that direct expenses would decline much less than in proportion to any decline in revenue, although they were unable to quantify the potential decline.

Admission Expenses

Direct admission expenses at London are high at an estimated 60% of revenue, in relation to other tracks. This may be because of complexities imposed by the associated fair operations or because of the allocation of expenses between racing and the fair. If the direct expenses declined in proportion to revenue, each patron lost would cause London to lose 89 cents revenue less 53 cents decrease in direct expenses = 36 cents. Track officials felt that these expenses would decline less than in proportion to revenue.

Concession Expenses

Direct concession expenses are estimated to be about 80% of revenues. If these declined in proportion to revenue, each patron lost would result in the loss of 72 cents revenue less 58 cents decrease in direct expenses = 14 cents.

Ottawa

Commission Expenses

No data are available on Ottawa's direct commission expenses. Track officials, however, indicated that operations at the track were carried out with the absolute minimum of labour so there were likely to be few opportunities for cost cutting.

Admission Expenses

No data are available on direct admission expenses. Few cost savings are envisaged if attendance falls for the reasons given above.

Concession Expenses

Direct expenses are estimated at approximately 80% of revenues. If these expenses declined in proportion to revenue, every patron lost would result in a loss of 99 cents in revenue less direct expenses of 80 cents = 19 cents.

Total Race Track Losses

The per patron and per dollar losses described above have been converted to total losses using data on total attendance and wager changes caused by off-track betting services calculated by Innovative

Marketing Limited. These data are only available for Jockey Club tracks as a group, hence it is only possible to calculate total losses for that organization.

Innovative's data shows that the current off-track messenger services have caused the Jockey Club to lose \$10.0 million in handle and 103,000 in attendance. The proposed minimum combined Government off-track betting service would cause the Jockey Club to lose an additional \$7.5 million in handle and 71,000 in attendance. Thus, total losses due to off-track betting shops are estimated at \$17.5 million in handle (9.2%) and 174,000 in attendance (4.4%).

The Jockey Club total changes in revenue and expenditure would therefore be as follows:

1. Minimum - Assuming direct expenses decline in proportion to revenue.

Commissions

Decrease in handle	=	<u>\$17,500,000</u>	
Decrease in commissions @ 6% of handle	=	1,050,000	
less Decline in direct expenses @ 35% of commissions	=	<u>368,000</u>	
Net loss	=	<u>\$ 682,000</u>	= \$ 682,000

Admissions

Decline in Revenue = 174,000 persons x \$1.28	=	\$ 223,000	
less Decline in direct expenses = 174,000 persons x \$0.32	=	<u>56,000</u>	
Net loss	=	<u>\$ 167,000</u>	= 167,000

(Cont'd)		=	167,000
Concessions			
Decline in revenue			
= 174,000 persons			
x \$1.65	= \$	287,000	
less Decline in direct expenses			
= 174,000 persons			
x \$1.45	=	<u>200,000</u>	
Net loss	= \$	<u>87,000</u>	= <u>87,000</u>
TOTAL LOSS FROM ALL SOURCES			= \$ <u>936,000</u>

2. Maximum - Assuming direct commission expenses decline less than in proportion to wagering.

Commissions			
Decrease in handle	=	<u>\$17,500,000</u>	
Decrease in commissions			
@ 6% of handle	=	1,050,000	
less Decline in direct expenses			
@ 40% of 35% = 14% of			
revenue	=	<u>147,000</u>	
Net loss	= \$	<u>903,000</u>	= \$ 903,000
Admissions			
as above			= 167,000
Concessions			
as above			= <u>87,000</u>
TOTAL LOSS FROM ALL SOURCES			= \$ <u>1,157,000</u>

Summary

In summary, the Jockey Club's actual losses due to existing off-track betting operations plus the potential loss from a Government operated system are estimated to range from \$936,000 to \$1,157,000 per annum.

In examining these estimates the raw nature of the underlying data should be borne in mind.

APPENDIX E

TASK FORCE ON OFF-TRACK BETTING

COST ANALYSIS AND IMPLEMENTATION PLAN

MARCH 1972

March 1, 1972

Task Force on
Off-Track Betting
18 King Street East
Toronto 210, Ontario

Gentlemen:

We wish to thank you for the opportunity of assisting with the planning and evaluation of an Off-Track Betting operation in Ontario.

Accordingly, we have prepared, in co-operation with your staff, preliminary estimates of both start-up and continuing costs of the system. In addition, we have also developed an outline for implementing Off Track Betting in the Province if it is decided to proceed.

The cost data included in the report, and the schedules of implementation are designed to be integrated with the market study of Ontario bettors now being carried out by Innovative Marketing Limited and the economic study of the racing industry being completed by our firm.

Our initial cost data is for a fully automated off-track betting system which requires an eighteen month development period and grows to 88 shops and 20,000 telephone betting accounts after two years

of operation. It indicates that a profitable operation can be anticipated after about ten months of opening the system if the average daily shop handle is \$5,000, or nine months later if the average daily shop handle is \$2,500.

We have also given some consideration to the operation of a wholly manual system and a modified manual system. Because the planning and development of such a complex operation requires a critical control over the time and cost of each planning activity, we have prepared a diagram of the major development activities for a fully automated and for a modified manual system for the information of the Task Force.

Our firm is most interested in the successful inauguration of Off-Track Betting and will be pleased to be of assistance to the Task Force. Should there be any questions regarding this report, we will be happy to discuss these with you or your staff.

Yours very truly,

Krohn, Gordon & Co.

JMS:RBM

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INTRODUCTION

This report is intended to assist the Task Force in making decisions with respect to off-track betting in Ontario. The first section explains our assumptions with respect to the betting handle and the contribution to the off-track betting system. These assumptions and the basic data used in our calculations, while not unrealistic, should, at this stage, be viewed as orders of magnitude rather than firm projections. The salary, data processing and facilities cost estimates are outlined, along with the project development and implementation considerations. The estimated costs are then compared with the assumed revenues. The appendices describe the activities required during the implementation and show activity schedules.

HANDLE AND CONTRIBUTION ASSUMPTIONS

Our basic assumptions for an off-track betting system are for a system that expands to 88 shops and 20,000 telephone betting accounts during two years. The 88 shop system was used as a basis for estimating in order to achieve some uniformity, particularly in our data processing cost analysis. It was estimated that the system after two years would comprise approximately 88 shops capable of handling 1,000 bets per hour concurrently with 300 pays per hour and 30,000 telephone betting accounts. A staged development was conceived, and for this purpose, the province was arbitrarily divided into five regions, Central Region with 57 shops, Western Ontario with 9 shops, Eastern Ontario with 9 shops, Niagara Peninsula with 5 shops, and Northern Region with 8 shops.

Table 1 (below) indicates the total amount bet (handle) and the contribution (the 17% remaining after paying the bettor and the Federal Government) for each quarter and cumulatively based on an average daily shop handle arbitrarily assumed to be \$5,000.

Table 1

Amount of Handle and Contribution (\$'000,000)

Month	18 -	21 -	24 -	27 -	30* -	33 -	36 -	39 -	42**
Handle									
- each quarter	1.5	4.0	7.1	12.0	18.0	23.6	29.1	33.9	
- cumulative		5.5	12.6	24.6	42.6	66.2	95.3	129.2	
Contribution									
- each quarter	.2	.7	1.2	2.0	3.1	4.0	4.9	5.8	
- cumulative		.9	2.1	4.1	7.2	11.2	16.1	21.9	

* End of first year of operation

** End of second year of operation

OFF-TRACK BETTING HANDLE AND CONTRIBUTION

EXHIBIT I

88 Shop System
@ \$5000/Shop/Day

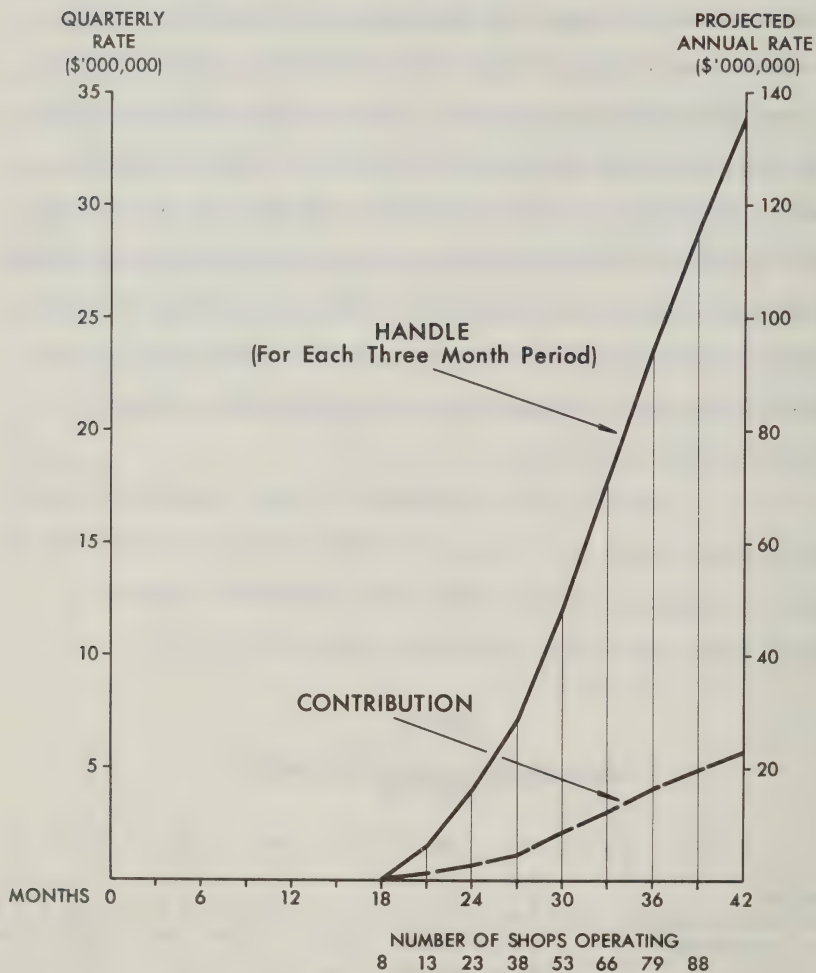


Exhibit I, shown on the opposite page, indicates graphically the rate of the handle and contribution for each quarter after an 18 month development period. The left hand scale indicates the total handle and contribution in each three month period. The right hand scale converts this quarterly rate to a projected annual rate (by multiplying the quarterly amount by four).

OFF-TRACK BETTING HANDLE AND CONTRIBUTION

EXHIBIT II

**88 Shop System
@ \$2500/Shop/Day**

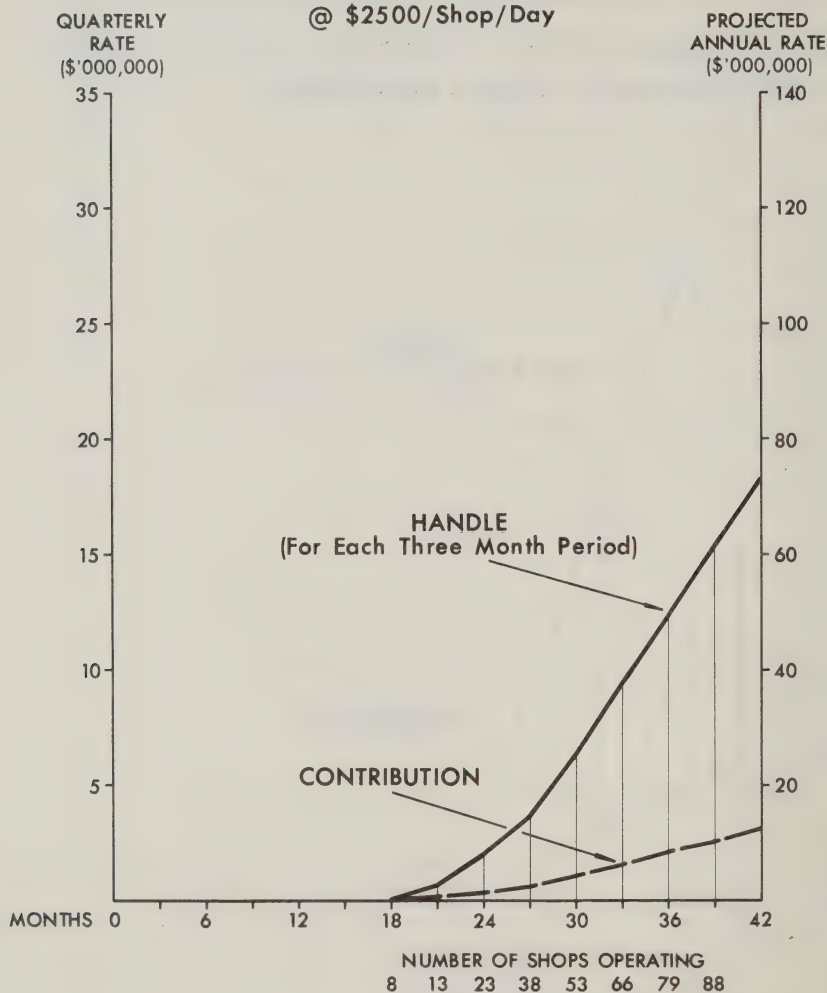


Table 2 (below) indicates the handle and contribution for the 88 shops if the average daily shop handle is arbitrarily assumed to be \$2,500.

Table 2

Amount of Handle and Contribution
((\$'000,000))

Month	18 - 21	- 24	- 27	- 30*	- 33	- 36	- 39	- 42 **
Handle								
- each quarter	.7	2.0	3.6	6.0	9.0	11.8	14.5	17.0
- cumulative		2.7	6.3	12.3	21.3	33.1	47.6	64.6
Contribution								
- each quarter	.1	.3	.6	1.0	1.6	2.0	2.5	2.9
- cumulative		.4	1.0	2.0	3.6	5.6	8.1	11.0

Exhibit II, shown on the opposite page, indicates the rate of the handle and contribution for each quarter. The left hand scale indicates the total handle and contribution in each three month period and the right hand scale converts it to a projected annual rate.

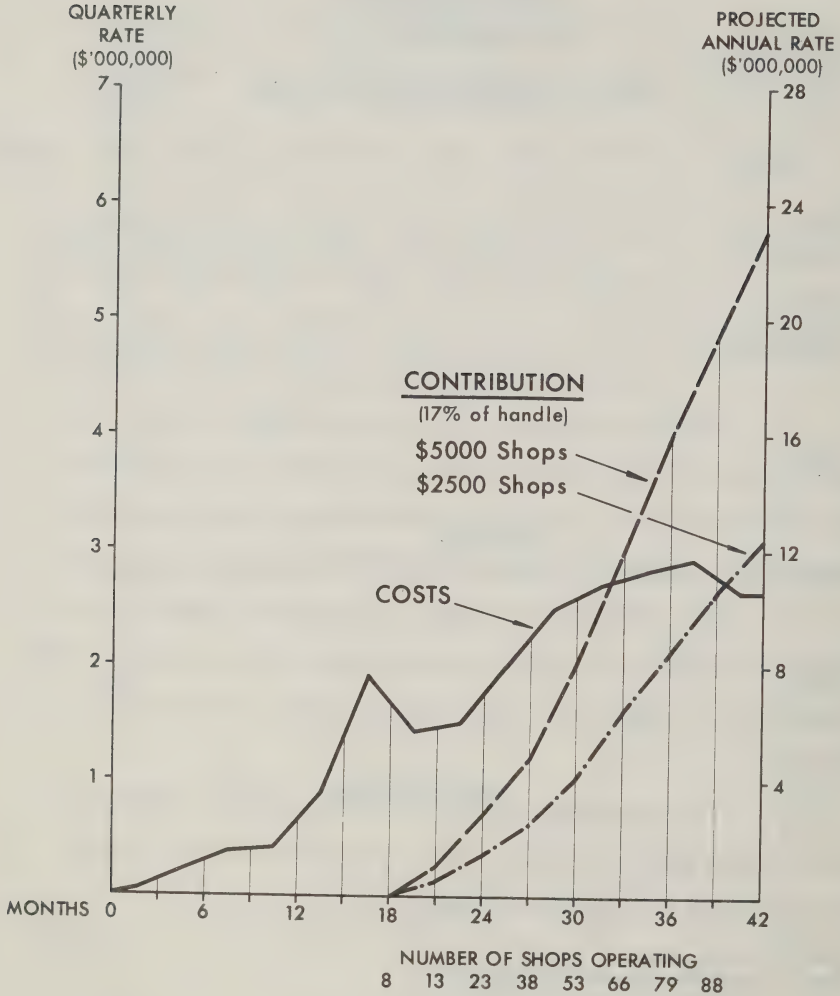
The projections in Tables 1 and 2 and in Exhibits I and II assume the shops are open 300 days per year, and will operate at 50% of capacity for the quarter in which they are opened, and at 100% thereafter.

The telephone betting is the same for both projections. We have assumed that 25% of the accounts are active each day, with an average of \$8 bet per account each day.

* End of first year of operation

** End of second year of operation

OFF-TRACK BETTING COSTS AND CONTRIBUTIONS (CASH FLOW BASIS)



COST ANALYSIS

Exhibit III, shown on the opposite page, indicates the actual costs incurred during each quarter for an eighteen month period needed for the development of a fully automated off-track betting system and for its first two years of operation. For \$5,000 shops it indicates a positive cash flow approximately 32 months after the decision to proceed. Positive cash flow for \$2,500 shops should occur 40 months after the decision to proceed.

The estimated costs per quarter (in thousands of dollars) are shown below in Table 3.

Table 3

Costs Per Quarter ($\$1,000$)

Months	Salaries	Data Processing and Supplies	Facilities		Advertising	Consulting	Total Per Quarter	Cumulative
		Head Office	Shops					
1- 3	21.5		25.0				46.5	46.5
4- 6	130.5	5.0	50.0				185.5	232.0
7- 9	197.0	5.0	50.0			100.0	352.0	584.0
10-12	251.0	5.0	50.0			100.0	406.0	990.0
13-15	304.5	10.0	425.0			150.0	889.5	1,879.5
16-18	348.5	15.0	425.0	223.0	500.0	150.0	1,896.5	3,776.0
19-21	410.5	620.0	125.0	162.0	75.0		1,402.5	5,178.5
22-24	485.0	509.5	125.0	315.0	75.0		1,509.5	6,688.0
25-27	623.5	733.5	125.0	482.0	75.0		2,039.0	8,727.0
28-30	771.5	974.5	125.0	524.0	75.0		2,470.0	11,197.0
31-33	930.0	1,032.0	125.0	511.0	75.0		2,673.0	13,870.0
34-36	1,060.5	1,019.0	125.0	548.0	75.0		2,817.5	16,687.5
37-39	1,176.0	1,059.5	125.0	575.0	75.0		2,910.5	19,598.0
40-42	1,236.0	943.5	125.0	250.0	75.0		2,629.5*	22,227.5

* The apparent decline in costs is because there are no costs included in this period for the start-up of new shops.

OFF-TRACK BETTING COSTS AND CONTRIBUTIONS (AMORTIZED BASIS)

EXHIBIT IV

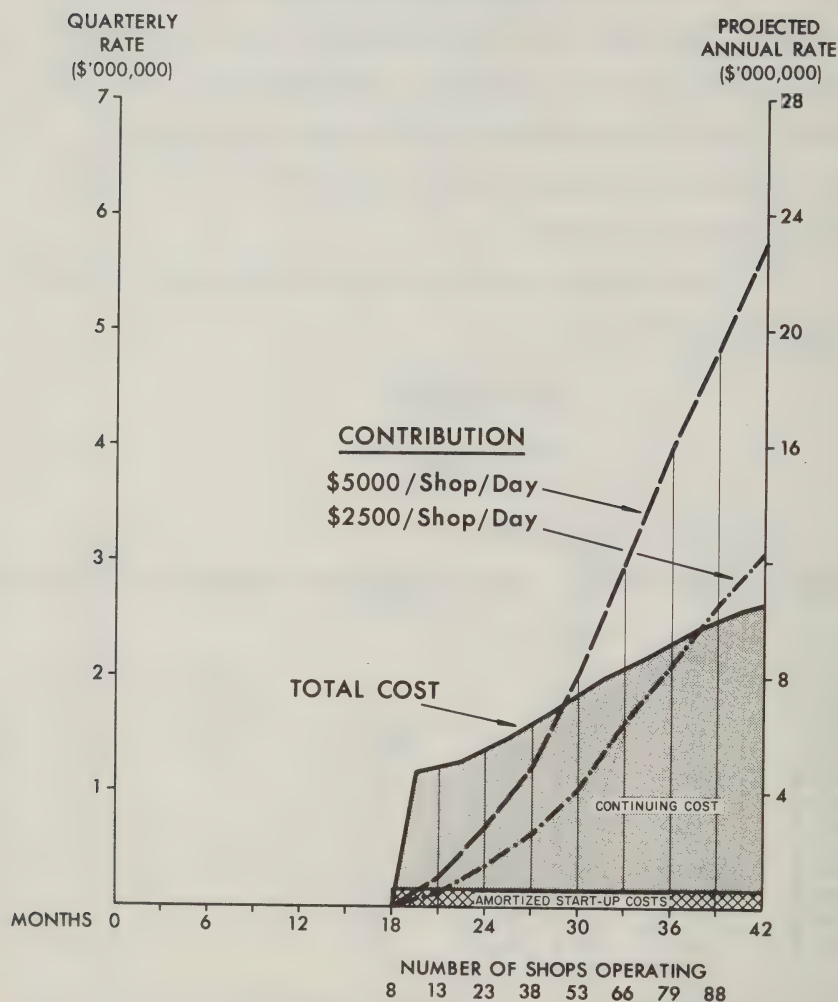


Exhibit IV, shown on the opposite page, indicates the estimated contribution for the \$5,000 per day shops and for the \$2,500 per day shops as shown in Exhibits I and II.

It also shows the continuing and amortized start-up costs for the system. Table 4 (below) indicates the start-up costs which have been amortized over ten years.

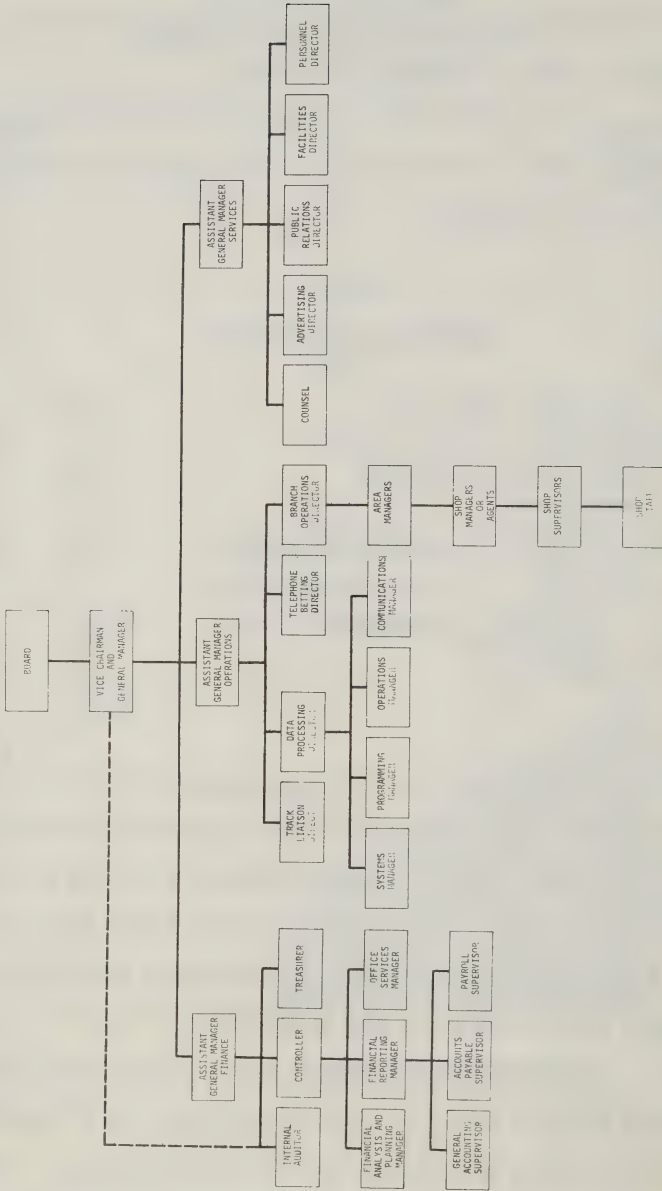
Table 4
Amortized Start-Up Costs
((\$'000))

Temporary office space	250
Head Office advance occupation	250
Renovations and equipment	500
Administrative salaries	955
Advertising	500
Consulting fees	500
Advance data processing installation	260
Supplies	55
New Shops:	
Renovations and equipment	2,200
Advance rent	250
Staff	280
	<u>6,000</u>

Exhibit IV indicates that a contribution of 17% of the handle will enable the breakeven point for shops with an average daily shop handle of \$5,000 will be reached approximately two and one half years after the decision to proceed, or about ten months after the start-up of the operation. If the average daily shop handle were \$2,500, the breakeven point would occur nine months later.

At the end of one year of operation, the total cost, including the amortized start-up costs, is 14.1% of the handle for a \$5,000 shop system, and 28.2% for a \$2,500 shop system. At the end of two years of operation, the costs are 7.1% of the handle for the \$5,000 shop system, and 14.2% for a \$2,500 shop system.

OFF-TRACK BETTING Preliminary Organization Chart



SALARY COST ESTIMATES

The salary cost estimates are based on the organization chart shown on the opposite page as Exhibit V. The personnel have been assumed to become employed as follows:

By Month		<u>Assumed Annual Salaries</u>
3	Vice Chairman and General Manager	\$40,000
	3 Assistant General Managers	30,000
	Controller	25,000
	Data Processing Director	25,000
	Branch Operations Director	25,000
	Personnel Director	25,000
	Secretarial Staff for the Above	8,000 (average)
6	Internal Auditor	25,000
	Treasurer	25,000
	Counsel	25,000
	Advertising Director	25,000
	Public Relations Director	25,000
	Track Liaison Director	22,000
	Facilities Director	22,000
	Telephone Betting Director	20,000
	Financial Planning and Analysis Manager	18,000
	Financial Reporting Manager	18,000
	Office Services Manager	18,000
	Systems Manager	18,000
	Programming Manager	18,000
	Operations Manager	18,000
	Communications Manager	18,000
	General Accounting Supervisor	16,000
	Accounts Payable Supervisor	16,000
	Payroll Supervisor	16,000
	Secretarial and Other Office Staff, as Required	8,000 (average)

We have assumed that shop operating staff will be employed one month prior to the opening of each shop.

DATA PROCESSING COST ESTIMATES

The Task Force Executive Director and Counsel, Mr.

Marshall Pollock, requested cost estimates from several data processing equipment suppliers in order to assist in estimating the start-up and continuing costs of off-track betting. The letter was sent to the following suppliers:

Canadian Totalisator
Control Data
IBM
NCR
T-Scan
Univac

Subsequently, cost estimates were received from the above and from the following additional suppliers:

Business Innovations
Ferranti-Packard
Honeywell

Each of the suppliers submitted a cost estimate and realistically conservative estimates are indicated in the cost projections on page 5.

It must be emphasized that they are not based on a firm quotation. The estimates were only submitted to assist the Task Force in estimating the start-up and continuing costs. The system requirements were defined only in general terms because the final systems characteristics and growth patterns were not finalized.

The selection of a data processing supplier must be done with extreme care because it is an integral part of the off-track betting system and will have a direct bearing on the quality of the operation. It is a substantial contract, and will require a detailed analysis.

We recommend that the process of selecting the data processing supplier include the following steps:

1. Prepare computer tender specifications

- define the current and future system requirements
- determine the system reliability and back-up requirements
- establish bidder selection criteria
- select bidders
- develop evaluation guidelines
- prepare request for proposals, including benchmark and demonstration requirements

2. The tendering procedure

- oral presentation of specifications to bidders
- interim questions and responses
- issuance of amendments to the original tender specifications, if required

3. Selection of the data processing supplier

- validate the bids and obtain supplementary information where required
- reduce the number of acceptable bids
- conduct benchmark tests and demonstrations
- analyse communications, processing and software systems
- recommend a data processing supplier

It will take at least one man-year to prepare the computer tender specifications, place the tenders, conduct benchmark tests, evaluate the bids and select the supplier.

FACILITIES COST ESTIMATES

The continuing operation of off-track betting will require a head office for the central organization, including the central computer and the telephone betting operation, and betting shop facilities.

Table 5 (below) indicates the estimated space requirements and furniture and equipment expenditures for the major head office areas.

Table 5

Headquarters Estimates

	<u>Square Feet</u>	<u>Furniture and Equipment Capital Costs</u>
General Manager	500	\$ 5,000
4 Assistant General Managers	1,400	16,000
25 Middle Managers	6,500	55,000
70 Clerks	5,500	45,000
25 Secretaries	3,000	45,000
Conference Room	400	3,000
Reception Area	1,000	5,000
Lounges and lunch room	1,000	10,000
Computer Room	4,000	30,000
Telephone Betting	2,000	30,000
Storage Area	2,000	<u>5,000</u>
Major corridors	3,000	<u>\$249,000</u>
Washrooms, elevator lobbies, closets, etc.	6,000	
Spare	<u>10,000</u>	
	<u>46,300</u>	

We believe that the renovations of the useful office space (27,300 square feet) will range from \$6.00 to \$12.00 per square foot depending on the premises selected. If the cost is \$9.00 per

square foot, the renovation cost would be \$245,700. We used \$250,000 in our calculations.

The continuing rental for the headquarters could vary from \$7.00 to \$12.00 per square foot per year. If it cost \$10.00 per square foot, the annual rent would be \$463,000. We used \$500,000 in our calculations. Advance rental of the premises during the alteration and construction period, and for moving and final systems test prior to the beginning of operation will cost about \$250,000.

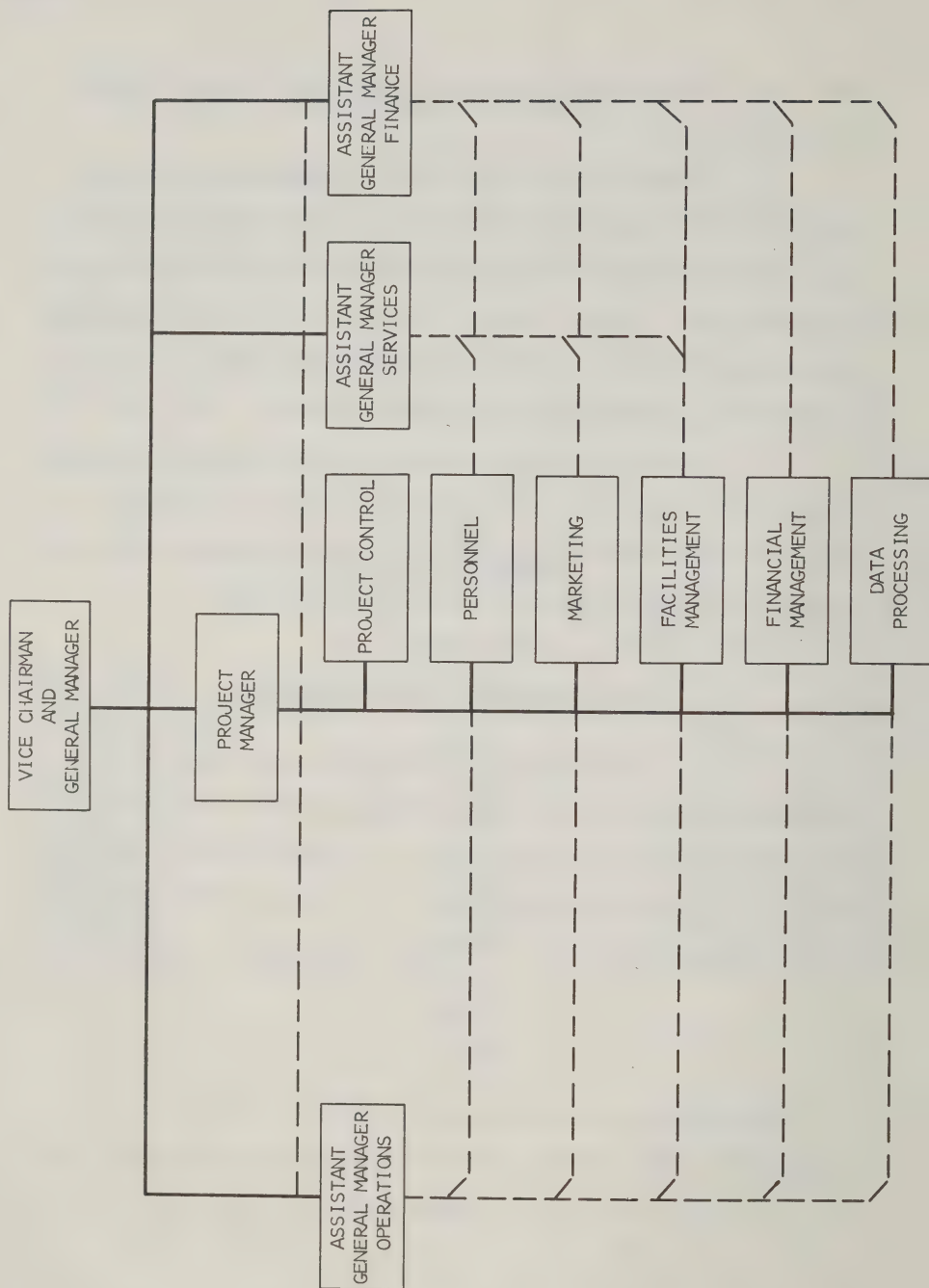
Each betting shop will require renovations and equipment costing about \$25,000 per shop. We estimate that the average shop will have 1,200 square feet and will rent for \$8.00 to \$10.00 per square foot per year for an annual rental of about \$11,000 per shop.

PROJECT DEVELOPMENT AND IMPLEMENTATION

It is desirable that the project development and implementation be done by Off-Track Betting personnel. We recommend that a Vice-Chairman and General Manager be hired early in the project, and that he participate in the hiring of his Assistant General Managers, and that they participate in the hiring of their staff.

PROPOSED PROJECT ORGANIZATION

EXHIBIT VI



If the decision is made to proceed with off-track betting quickly, there will be a delay caused by the lack of O.T.B. personnel.

We recommend that a project management approach be taken in order to eliminate the effect of this staff delay and implement off-track betting as quickly and economically as possible. Project Management is based on the temporary use of particular talents to develop a project. The project team would work with the O.T.B. staff as they are acquired. Exhibit VI shown opposite indicates the structure of the project team and its relationship with senior O.T.B. staff. This project team can be drawn from the current Task Force, the Provincial Government, or from outside specialists in this area.

The project activities involved in the implementation of this project, and their required precedence is shown in the fold-out in Appendix I. It indicates that under our assumptions, the start-up of operations of a fully automated system will occur a minimum of 18 months after approval by the Government. The critical activities include selecting a project management team, developing marketing and financial plans, systems design, selection of a data processing supplier and computer programming. We have used this chart to assist us in estimating the start-up costs and time required. An explanation of the activities is contained in Appendix I.

Appendix II indicates the project activities and time required to implement a modified manual system.

ALTERNATIVE PROCESSING METHODS

Our analysis has been of a fully automated off-track betting system using ticket issuing machines in the shops which automatically relay the bets to a central computer for collation and transmission to the race tracks. There are other, less sophisticated processing methods such as a purely manual system and the use of computers to assist in the transmission and collation of bets.

Manual System

It is possible to operate in a fashion similar to the current off-track betting shops. Bets can be recorded manually, collated by hand in the shop, relayed to a regional collation center, then to a central location, and hence to the track. This is a quick way to get into the business, obtain experience, obtain information concerning the demand for this type of service, and avoid the cost of a computer. In addition, if a fully automated system is ultimately required, a manual method must be developed for use in case of emergency, and possibly for use in outlying areas where a fully automated system is not practical.

There are limitations to a wholly manual system. It is largely dependent upon people and is fraught with human errors. Tickets are recorded, collated and communicated by humans rather than by equipment. This will work well for a limited number of shops, but may run into control and accuracy problems in a large operation. It is the experience in other jurisdictions that a computerized system can provide a higher level of

customer service and convenience, and would be most economical for a jurisdiction of Ontario's size.

The manual system also has several limitations:

- More staff is required and turnover and training may become a problem.
- More control is necessary for a manual system.
- More shop space is required for the extra people. This may become wasted space if the shop is automated at a later date.
- Races must be closed earlier than under an automated system.
- Payoff is not available as soon as under an automated system.
- Cashing of winning tickets must be done at the shop where the ticket is sold.
- Telephone betting is very difficult to control and operate. It is probably impractical without the aid of a computer.
- Regional collation centres are required.

In summary, a manual system is the quickest entry into off-track betting, and could be considered as an interim approach.

Modified Manual System

It is possible to use computers to assist a manual system. A terminal could be located in each shop and used to communicate bets to a central computer for collation and transmission to the track. The computer could also be used for telephone betting.

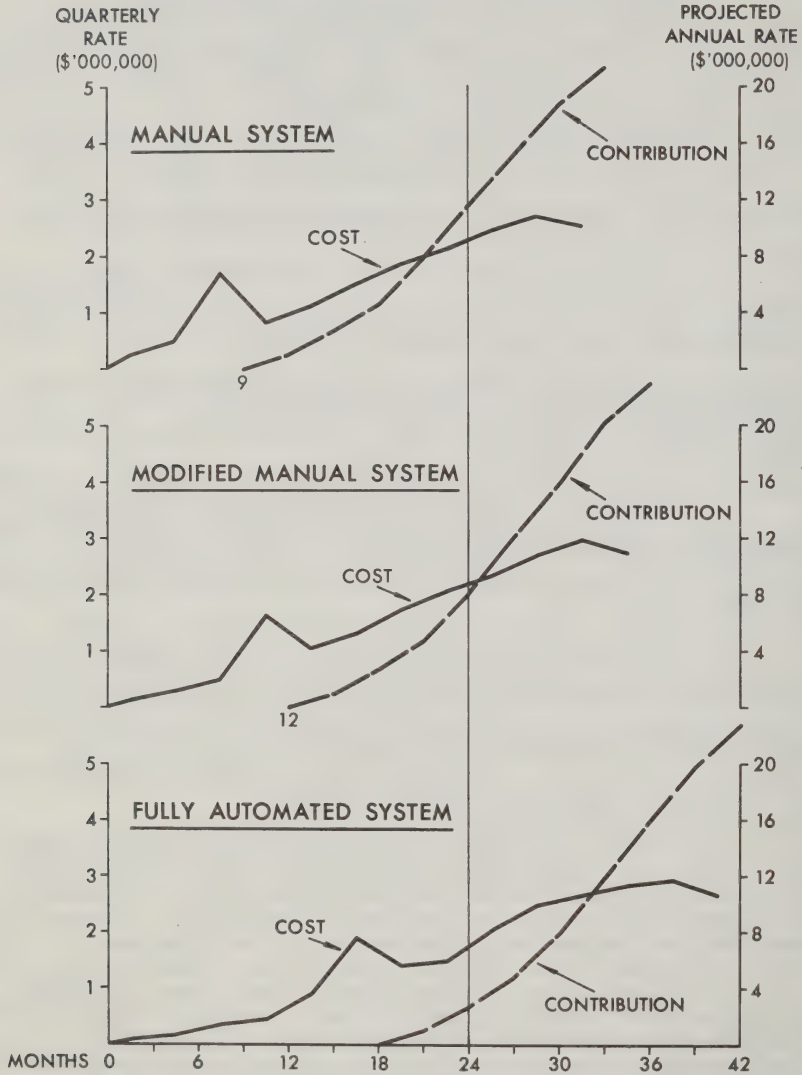
The major advantages over the pure manual system are that it will be able to handle telephone betting, control over the operation will be easier, and regional collation centres will be eliminated.

The experience in other jurisdictions is that a regional collation centre is required for every 15-20 shops in the system. If two regional collation centres can be eliminated, the costs of the computer operation can be recovered.

OFF-TRACK BETTING

EXHIBIT VII

ALTERNATIVE IMPLEMENTATION PROJECTIONS



Timing Considerations

We estimate that 18 months is the minimum time required to undertake a thorough analysis to select a data processing supplier for a fully automated system. We estimate that the minimum delivery of a telephone betting system is 3 months after the selection of a supplier, and a further 3 months for the delivery of a fully automated system. We estimate that the minimum practical time after the decision to proceed, for implementing a manual system is 9 months, and for a modified manual system is 12 months.

Exhibit VII, shown on the opposite page, indicates the cost and contribution associated with a manual system, a modified manual system, and a computerized system. For each of these systems we have assumed that the growth will be to an 88 shop system during a two year development period, and that each shop will have a daily handle of \$5,000. The manual system does not include any telephone betting.

The starting date is after 9 months for the manual system, 12 months for the modified manual system, and 18 months for the computerized system. The costs for all systems level off below \$12,000,000 annually, with lower incremental costs for the computerized system.

The following Tables (6, 7 and 8) indicate the costs, contribution and net cash flow, both on a per quarter and cumulative basis, for the manual, modified manual and fully automated systems, and are shown graphically on Exhibit VII.

Table 6

MANUAL SYSTEM @ \$5,000/Shop/Day
(\\$'000)

Months	Costs		Contribution		Net Cash Flow	
	Per Quarter	Cumulative	Per Quarter	Cumulative	Per Quarter	Cumulative
1- 3	285.5	285.5			(285.5)*	(285.5)
4- 6	506.0	791.5			(506.0)	(791.5)
7- 9	1,706.5	2,498.0			(1,706.5)	(2,498.0)
10-12	810.0	3,308.0	255.0	255.0	(555.0)	(3,053.0)
13-15	1,116.0	4,424.0	699.0	924.0	(447.0)	(3,500.0)
16-18	1,529.5	5,953.5	1,148.0	2,072.0	(381.5)	(3,881.5)
19-21	1,857.5	7,811.0	1,944.0	4,016.0	86.5	(3,795.0)
22-24	2,141.0	9,952.0	2,900.0	6,916.0	759.0	(3,036.0)
25-27	2,435.5	12,387.5	3,793.0	10,709.0	1,357.5	(1,678.5)
28-30	2,704.0	15,091.5	4,621.0	15,330.0	1,917.0	238.5
31-33	2,538.0	17,629.5	5,323.0	20,653.0	2,785.0	3,023.5

*Numbers in brackets indicate negative cash flows.

Table 7
MODIFIED MANUAL SYSTEM @ \$5,000/Shop/Day
(\$'000)

Months	Costs		Contribution		Net Cash Flow	
	Per Quarter	Cumulative	Per Quarter	Cumulative	Per Quarter	Cumulative
1- 3	151.0	151.0			(151.0)	(151.0)
4- 6	319.0	470.0			(319.0)	(470.0)
7- 9	493.0	963.0			(493.0)	(963.0)
10-12	1,661.0	2,624.0			(1,661.0)	(2,624.0)
13-15	1,058.0	3,682.0	255.0	255.0	(803.0)	(3,427.0)
16-18	1,316.0	4,998.0	682.0	937.0	(634.0)	(4,061.0)
19-21	1,722.0	6,720.0	1,199.0	2,136.0	(523.0)	(4,584.0)
22-24	2,060.0	8,780.0	2,046.0	4,182.0	(14.0)	(4,598.0)
25-27	2,355.0	11,135.0	3,059.0	7,241.0	704.0	(3,894.0)
28-30	2,663.0	13,798.0	4,016.0	11,257.0	1,353.0	(2,541.0)
31-33	2,925.0	16,723.0	4,940.0	16,197.0	2,015.0	(526.0)
34-36	2,746.0	19,469.0	5,769.0	21,966.0	3,023	2,497.0

*Numbers in brackets indicate negative cash flows.

Table 8

FULLY AUTOMATED SYSTEM @ \$5,000/Shop/Day
(\\$'000)

<u>Months</u>	<u>Costs</u>		<u>Contribution</u>		<u>Net Cash Flow</u>	
	<u>Per Quarter</u>	<u>Cumulative</u>	<u>Per Quarter</u>	<u>Cumulative</u>	<u>Per Quarter</u>	<u>Cumulative</u>
1- 3	46.5	46.5			(46.5)	(46.5)
4- 6	185.5	232.0			(185.5)	(232.0)
7- 9	352.0	584.0			(352.0)	(584.0)
10-12	406.0	990.0			(406.0)	(990.0)
13-15	889.5	1,879.5			(889.5)	(1,879.5)
16-18	1,896.5	3,776.0			(1,896.5)	(3,776.0)
19-21	1,402.5	5,178.5	255.0	255.0	(1,147.5)	(4,923.5)
22-24	1,509.5	6,688.0	682.0	937.0	(827.5)	(5,751.0)
25-27	2,039.0	8,727.0	1,199.0	2,136.0	(840.0)	(6,591.0)
28-30	2,470.0	11,197.0	2,046.0	4,182.0	(424.0)	(7,015.0)
31-33	2,673.0	13,870.0	3,059.0	7,241.0	386.0	(6,629.0)
34-36	2,817.5	16,687.0	4,016.0	11,257.0	1,198.5	(5,430.5)
37-39	2,910.5	19,598.0	4,940.0	16,197.0	2,029.5	(3,401.0)
40-42	2,629.5	22,227.5	5,769.0	21,966.0	3,139.5	(261.5)

*Numbers in brackets indicate negative cash flows.

If the decision is made to proceed with off-track betting, the following is a possible implementation plan:

<u>Month</u>	<u>Activity</u>
0 - 9	Development period
9	Begin manual off-track betting operations
12	Select a computer supplier
	Open more manual shops
15	Begin a telephone betting operation
	Open more manual shops
18	Begin conversion to an automated system

This plan will permit you to begin operations quickly, conduct a thorough data processing study, and provide an automated betting system as soon as possible.

APPENDICES

Appendix I - Project Implementation Plan

Introduction

Activity Descriptions

Activities Diagram

Appendix II - Modified Manual System

Introduction

Activity Descriptions

Activities Diagram

PROJECT IMPLEMENTATION PLANINTRODUCTION

If the Ontario Government decides to proceed with a system of Off Track Betting, the Task Force will then be faced with the complex and critical task of building the necessary organization and developing an effective betting system within a few months.

As a part of our work in developing the start-up cost estimates, we have constructed a diagram of the major steps which would be necessary in implementing Off Track Betting in Ontario. We have included this diagram and the attendant notes as Appendix I of this report for the information of the members of the Task Force.

These activities identified in the diagram represent the major ones and each includes many steps. At this point, it was felt that a summary diagram would be helpful to the Task Force. A more detailed planning and control diagram of "network" should be developed to begin the implementation of a betting system.

For each of the major activities in the diagram, we have included brief supporting notes which explain the purpose of the activity, how it fits into the overall "network" and what steps are involved in its completion.

As demonstrated by the diagram, the implementation of an Off Track Betting system requires a close control of each of the many activities which must be carried on at the same time. To carry out this planning and control, the Project Management approach should

be considered. A project manager would work closely with the Board of Directors, the General Manager and each of the senior staff members of the Off-Track Betting Organization. He would co-ordinate the activities using either staff members, or members of his project team. As more of the staff positions became filled and a greater portion of the work is carried out by the staff, members of the project team would be gradually withdrawn. The Project Manager, however, would continue to co-ordinate the activities until the system was ready to operate. The Project Manager would provide close scheduling, expediting, and monitoring of all of the project activities to ensure the entire Off Track Betting System would be in operation within the required time.

Control of the planning and implementation costs on behalf of the Off Track Betting Organization would also be the responsibility of the Project Manager and his team.

The implementation diagram and the activity notes are at this point of a preliminary nature, and set out a broad outline of the implementation task necessary to establish Off Track Betting. They serve mainly to define the challenge facing the Task Force, and would be subject to further refinement, modification and some re-arrangement in discussion with the Task Force if a decision to proceed further is made by the Ontario Government.

ACTIVITY DESCRIPTIONS

1. Government Decision to Proceed and Definition of Operating Objectives

The first step towards implementation is the Provincial Government decision to proceed. This would probably be accompanied by appropriate guidelines concerning the overall objectives, structure of the organization, target implementation dates and method of financing and division of the revenues.

2. Appoint Board of Directors and Chairman

The Provincial Government would be responsible for determining the type of representation on the Board of Directors and, with appropriate consultation, making appointments to the Board.

3. Hire the Vice-Chairman and General Manager

The Vice-Chairman and General Manager will be the chief executive officer of the organization, and could also be the Vice-Chairman of the Board. He should be involved in the planning stages, as it is important to have him on staff early.

This activity would include the following steps:

- define job responsibilities and required qualifications with Board of Directors and Project Management Group where applicable
- conduct a search and evaluate the most suitable candidates
- arrange interviews with final candidates and the Board who will make the final selection.

This activity could take 2 to 3 months, involving 5 to 6 man weeks.

4. Amendments to the Criminal Code

A policy decision must be made as to how far the implementation of off track betting should proceed before the Criminal Code is amended.

5. Start Organization Planning, Personnel Policies, and Job Descriptions

This activity would involve close association with the General Manager and the Board of Directors where appropriate. Specific areas of activity would include:

- definition of corporate role and objectives such as profit goals, growth objectives in terms of rate and ultimate size and the role of the organization in the community
- survey of existing comparable organizations, the types of structures and their strengths and weaknesses as well as an identification of the pitfalls to avoid in establishing an organizational structure
- development of a preliminary organization chart outlining the key functions, the extent of the supporting structure and the kinds of people needed to fill key positions
- development of position guides for key managerial posts based on the objectives of each position and the principal functions to be covered
- development of appropriate salary ranges and a subsequent salary administration program based on confidential salary surveys and internal relationships established through job analysis.

A manual of personnel and salary policies will be compiled to serve as a guide for corporate personnel decisions. The policy manual should include the following items:

- employment standards and recruitment procedures
- hours of work, attendance and absenteeism
- salary administration plan and administrative procedure
- holidays, vacations and leaves of absence
- employee services - recognition and privileges
- promotions and transfers
- induction and orientation programs
- special company regulations - security, bonding, confidential material
- complaint and grievance procedures, if applicable
- termination of employment and discharge procedures.

This activity combined with activity number 30 (Finish Organization Planning, Personnel Policies and Job Descriptions) is estimated to take 4 to 5 months involving 4 man months.

6. Develop Terms of Reference for Project Management

Particular talents are required during the development of a project that will not be needed once the off track betting system is implemented and a full complement of operating staff is employed. Two of these are Project Management and Project Control.

Project Management involves the highest level of project responsibility and includes the direction, coordination and control of all key project personnel and project resources on behalf of the client.

The Project Manager's responsibilities will be:

- to organize and coordinate the project team members, suppliers, and O.T.B. staff and all other project staff to assure that project work proceeds in an organized and productive manner
- to delegate responsibility to team members who are properly qualified
- to communicate and encourage communication between team members
- to ensure that well defined requirements, standards and specifications for systems, equipment and facilities are established
- to call regular meetings with team members and O.T.B. staff to establish priorities and review progress
- to report on a regular basis to the General Manager and Board of Directors
- to direct the resolving of design and implementation differences and the making of trade-offs to conform to the budget and schedule
- to provide all other management and administrative services required to successfully complete the project
- to direct all matters concerning publicity and public relations to appropriate officials.

Project Control refers to the methods, procedures and routines used by the Project Management Team to effectively carry out their responsibilities and to ensure to successful completion of the project.

A project control system is the functional interrelation of project staff, the type and flow of project information, the management decisions and actions as they are applied in the allocating of project resources, and the control of their use.

The Project Controller's responsibilities will be:

- to establish time schedules for integrating all phases of the project
- to collect information from the team members and client staff respecting project status
- to update schedules on a regular basis, highlighting deviations from schedule, recording reasons for delays and developing plans to recover lost time
- to design and implement systems for expediting decisions, approvals and the transmittal of information
- to collect information and develop an overall budget for project design and implementation costs
- to prepare schedules of quantities and detailed cost estimates
- to undertake special expediting or coordination assignments as required by the Project Manager.

In addition, terms of reference must be developed for the following functions of the project team:

- Personnel
- Marketing
- Facilities Management
- Financial Management
- Data Processing.

7. Select the Project Management Team

The project team can be drawn from the current Task Force, the Provincial Government, or from outside specialists.

Government policy decisions with respect to the structure of the organization (e.g. Civil Service, Crown Agency, independent) will have a major influence on the source of the project team. The target implementation dates will have an affect on the timing of their hiring. If the decision is made to proceed as quickly as is practical, a Project Manager should be selected as soon as possible to work with the off track betting organization through its development period. Other members of the team will be added as required.

8. Develop Project Schedule

A project schedule should be developed, indicating:

- timing of additions to staff
- target dates for completion of critical activities
- target starting dates for telephone and shop betting.

9. Finalize Project Budget

A project budget must be established for the development period. It should include allowances for temporary office space and equipment, administrative salaries, and consulting fees. Financial arrangements must be made for these items.

10. Procure Temporary Facilities for Staff

Facilities to accommodate head office staff will not be available early enough to be of use in the early stages of the project. Temporary quarters are therefore required very soon after a decision to proceed has been made. Ideally a project office should be set up which would house both senior O.T.B. staff and the Project Management Team so that communications are established and planning can proceed expeditiously.

This activity will include the following:

- establishing requirements for facilities and equipment
- locating suitable temporary quarters
- carrying out minor renovations and decorating as required
- furnishing and moving into the facilities.

Depending on the availability of suitable quarters the duration of this activity could be 1 to 2 months involving 2-4 man weeks of planning time.

11. Hire Assistant General Manager, Operations

This activity would include the following steps:

- define job responsibilities and required qualifications with General Manager and Project Management group where applicable
- conduct a search and evaluate most suitable candidates
- arrange interviews with final candidates and the General Manager who will make the final selection.

This activity is expected to take 1 to 2 months involving 3 to 4 man weeks.

12. Hire Assistant General Manager, Finance

This activity would include the following steps:

- define job responsibilities and required qualifications with General Manager and Project Management group where applicable
- conduct a search and evaluate most suitable candidates
- arrange interviews with final candidates and the General Manager who will make the final selection.

This activity is expected to take 1 to 2 months involving 3 to 4 man weeks.

13. Hire Assistant General Manager, Services

This activity would include the following steps:

- define job responsibilities and required qualifications with General Manager and Project Management group where applicable
- conduct a search and evaluate most suitable candidates
- arrange interviews with final candidates and the General Manager who will make the final selection.

This activity is expected to take 1 to 2 months involving 3 to 4 man weeks.

14. Develop Marketing and Financial Plans

The marketing study will include the following steps:

- a study of bettors' habits and attitudes (presently in progress by Innovative Marketing Limited)
- review of findings of above study

- develop some overall marketing policies considering:
 - cities and towns where service is to be established initially
 - timetable for extension of service to other areas
 - general advertising and promotion approach and level of expenditures
 - timetable for extension of betting to cover U.S. tracks, football, basketball and other sporting events
- develop detailed marketing plans for telephone betting considering:
 - types of bets to be handled
 - types of bets to be featured
 - special treatment, if any, for large bettors, such as "gold card" accounts or special phone numbers
 - use of commercial credit facilities such as Chargex, American Express, Diners' Club
 - accessibility to tourists and visitors
 - how to keep telephone accounts active once they have been obtained
 - allocation of Zenith toll-free codes to areas
 - whether regional telephone centres should be developed
 - whether direct telephone lines from clubs, hotels and restaurants will be encouraged
 - costing out of the market efforts and evaluation against estimated revenues therefrom
 - writing of the marketing plans to cover 5 years in general and 2 years in detail
- develop detailed marketing plans for shop betting considering:
 - marketing criteria for selection of shop sites
 - additional services offered such as the sale of programs, catalogues, racing forms, etc.
 - types of bets to be featured or developed especially for shop clientele

- use of special accounts for shop bettors
- effective hours of business for various types of shops and locations
- use of seasonal or portable shops in certain locations
- availability of shops for tourists and other visitors
- develop Marketing Information Requirements for both telephone and shop betting.

The financial study will include the following steps:

- develop a detailed project cost budget to be reviewed and revised at specified stages during the project
- establish initial revenue/cost estimates for 'hypothetical' shops of different types
- project start up costs for new shops and administration
- integrate revenue and costs into a preliminary financial plan, to be updated regularly as new staff are hired and revenue/cost assumptions are changed.

The development of these marketing and financial plans is estimated to take about 2-4 months and will involve 17 to 23 man weeks.

15. Develop System Concept

The development of a system concept will include:

- meetings with representatives of the racing industry, with consultants, with the Task Force, and with various Government representatives to discuss concepts, determine potential problem areas, and determine solutions

- producing a written statement of system concept outlining how the system will operate, mainly from the operator's and the user's viewpoints.

This activity is estimated to take 6 weeks, involving
3 to 4 man weeks.

16. Develop a Policy Regarding Facilities

This activity will include the establishment of policy pertaining to facilities in regard to:

- own versus lease
- cost of facilities
- sharing with governmental agencies
- decor requirements and distinctive design theme if desired
- location in the community in relation to residential, business, social, educational and other facilities
- services to be provided if any aside from placing of bets
- general space standards
- expansion policy
- security
- requirements for permanent facilities staff.

This activity is estimated to take 2 months, involving 6 to 8 man weeks.

17. Develop Staff Indoctrination Program

This program should be one to two days in length and include the following topics:

- organizational History and Objectives
- some background on the sport of horse racing and the location and general operations of major tracks
- O.T.B. operations in other countries

- Ontario O.T.B. operations
 - a) shop operations
 - b) anticipated revenues and split of handle
 - c) anticipated growth of operations
- The Public Relations responsibility of the O.T.B. employee.

It is anticipated that this program will be modified to serve both as an employee induction course and as a public relations package for external promotion.

This activity is expected to take 1 month involving 5 to 6 man weeks.

18. Hire Personnel Manager

This activity would include the following steps:

- define job responsibilities and required qualifications with General Manager and Project Management Group where applicable;
- conduct a search and evaluate most suitable candidates;
- arrange interviews with final candidates and the General Manager who will make the final selection.

This activity is expected to take 1 to 2 months involving 3 to 4 man weeks.

19. Hire Senior Operations Staff

This activity would include the following steps:

- define job responsibilities and required qualifications with the A.G.M. Operations and Project Management Group where applicable;
- conduct a search and evaluate most suitable candidates;
- arrange interviews with final candidates and the A.G.M. Operations who will make the final selection.

This activity is expected to take 4 to 5 months involving 8 to 10 man weeks.

20. Hire Senior Finance Staff

This activity would include the following steps:

- define job responsibilities and required qualifications with the A.G.M. Finance and Project Management group where applicable;
- conduct a search and evaluate most suitable candidates;
- arrange interviews with final candidates and the A.G.M. Finance who will make the final selection.

This activity is expected to take 4 to 5 months involving 8 to 10 man weeks.

21. Hire Senior Service Staff

This activity would include the following steps:

- define job responsibilities and required qualifications with the A.G.M. Services and Project Management group where applicable;
- conduct a search and evaluate most suitable candidates;
- arrange interviews with final candidates and the A.G.M. Services who will make the final selection.

This activity is expected to take 4 to 5 months involving 8 to 10 man weeks.

22. Indoctrinate Senior Staff

The Staff Indoctrination Program will be given to all senior staff preferably under the following format:

- groups should be no larger than 25 participants;
- each group should contain representatives from each functional area;
- course leaders should be able to modify the program content to suit the level of staff in each group in cases where the withholding of certain confidential information may be desirable.

This activity is expected to take 1 month involving 2 to 3 man weeks.

23. Start of System Design

The computer system design will include:

- design of the on-line real time Bet-Pay sub-system
 - overall system picture
 - definition of functions
 - procedures at the terminals
 - file structure
 - auditability requirements
 - definition of emergency and recovery procedures
- design of other sub-systems
 - definition of the Management Information System requirements
 - payroll characteristics
 - accounts payable and other applications
- develop a preliminary outline of the accounting system at head office and the branches
 - regular meetings with senior O.T.B. staff.

This activity combined with activity number 27 (Finish Design of System), is estimated to take 3 months involving 13 to 15 man weeks.

24. Start Development of Department Programs and Procedures

This activity includes all activities and procedures in the Finance, Operations and Services Departments.

It will include the following:

- complete the final outline of the management reporting system
- establish preliminary procedures for shop reporting of cash collections including prepayments for phone wagers
- develop detailed procedures for accounting for fixed assets, accounts payable, accounts receivable, payroll, and central treasury
- finalize procedures for shop reporting after computer systems work is completed
- outline the structure and procedures for the general ledger and branch ledger
- summarize the procedures in an integrated accounting manual, with each removable and complete section based on a particular accounting area such as branch reporting or accounts payable
- establish a separate manual outlining the internal controls in the system and an internal audit programme to regularly test them
- develop a concise manual for Financial Planning and Analysis, to be used as a guideline in future financial work
- develop security procedures and practices

- develop liaison with tracks
- develop shop policies and procedures manual.

These functions will be undertaken jointly by the Project Management Team and O.T.B. staff. This activity, combined with activity number 41 (Finish Development of Department Programs and Procedures), is estimated to take 6 months.

25. Start Computer Tender Specifications

The preparation of computer tender specifications will include:

- determine detailed quantitative information:
 - volumes
 - time constraints and projections for 5 to 10 years
- determine backup requirements
 - maximum downtime
 - acceptable degraded performance
- determine best approach respecting the sole supplier responsible for all computer systems versus several independent suppliers
- establish bidder selection criteria
- select bidders
- development of evaluation guidelines
- prepare RFP's (requests for proposals) including:
 - background information
 - overall system description
 - quantitative information

- special hardware and software requirements
- benchmark and demonstration requirements
- bidder ground rules

This activity, combined with activity number 32 (Finish Computer Tender Specifications), is estimated to take 2 months involving 12 to 16 man weeks.

26. Retain Facilities Planning Staff

This activity will include the following:

- the hiring of permanent architectural and/or engineering personnel as well as a person charged with the responsibility for site construction work
- retaining of outside services in the fields of real estate and security systems
- indoctrination of facilities staff.

We expect that the hiring period would be of about 1 to 2 month's duration involving 3 to 4 man weeks.

27. Finish System Design

This is a continuation of activity number 23 (Start of System Design).

28. Develop Staff Training Programs

An on-the-job training program will be developed by the Personnel Manager in consultation with appropriate Assistant General Managers and Senior functional staff personnel.

This activity is expected to take 6 weeks.

29. Determine Staff Requirements

This activity will be under the Personnel Manager in conjunction with appropriate departmental management personnel and Project Management group where applicable.

This activity is expected to take 1 to 2 months and could be carried out on a continuing basis over a period of 12 to 18 months.

30. Finish Organization Planning, Personnel Policies and Job Descriptions

Activities required for completion of this segment include:

- the final organization plan submitted to General Manager and Board of Directors for approval;
- the organization chart finalized and prepared for distribution;
- final job descriptions and salary structure incorporated into a Salary Administration manual.

The policy manual will be submitted to the Board of Directors and appropriate corporate executives for review and approval. Any revisions or additions required will be made and printing and distribution will be arranged. A procedure will be established to have the Personnel Manager conduct periodic evaluations of the policies to ensure that they remain consistent with current operating and long-term corporate objectives as well as legislative requirements and general market conditions.

31. Finish Computer Tender Specifications

This is a continuation of activity number 25 (Start Computer Tender Specifications).

32. Develop Functional Specifications for New Facilities

This activity will include:

- space requirement and functional plans for the head office and typical betting shops which will efficiently accommodate the O.T.B. operations in accordance with staff, organizational and systems requirements
- expansion plans for system growth
- a design theme if desired
- typical layouts for betting shops and standard details where applicable for furniture, furnishings and equipment
- facility standards to meet the electrical, mechanical, structural and critical facility dimension requirements of the operations
- quality standards for wall, floors and ceiling finishes.

The first two items should be done by the Project Team, and this remainder of the activities by O.T.B. staff.

33. Tender The Computer Equipment Package

The activities will include the following:

- oral presentation of specifications of bidders
- interim questions and responses
- issuance of amendments to the original tender specifications if required.

Concurrent with the tendering activity will be the establishment of a list of weighted evaluation criteria based upon systems and managerial requirements.

These activities are estimated to require 2 months, involving approximately 6 man-weeks.

34. Obtain Suitable Sites

This activity will involve the search for, selection and leasing of sites which fulfill the marketing plan and facilities standards.

We have assumed that this work will be carried out by real estate personnel retained by the O.T.B. organization.

35. Commence Hiring and Training Headquarters Staff

The hiring will be carried out by the Personnel Manager with the final selection made by the department managers. The training will include a staff induction program and on-the-job training.

36. Select Computer Supplier

This activity will involve:

- validating the bids; obtaining supplementary data and clarifications where required
- narrowing the number of acceptable bids
- requesting supplementary benchmark tests and demonstrations where required.
- witnessing tests and attending demonstrations

- detailed analysis of bids
- conducting a real time cost performance analysis
- selecting the best bid or bids (the latter in the case of several independent suppliers)
- reporting and discussing.

The above as estimated to require 3 months involving 30 to 40 man-weeks.

37. Detailed Planning of Facilities

This activity will include:

- applying typical layouts and standards to the sites selected for betting shops
- developing the layout for the central office
- making detailed plans and specifications for both types of facilities.

This work will probably be done by the O.T.B. Facilities Planning staff.

38. Tender the Alteration and Construction Work

This activity will include:

- selection of bidders
- preparation of tenders
- presentation to bidders
- selection of suppliers

This work will be carried out by O.T.B. Facilities Planning staff.

39. Detailed Computer System Design

The detailed system design includes 2 main phases:

- data gathering; clarification of general system specifications
- system design proper; producing detailed programming specifications according to the user requirements.

It is anticipated that this activity will be carried out by an organization outside the Off-Track Betting staff, such as the computer mainframe supplier, or a software house.

Several data processing suppliers have done most of this in advance and can complete this activity in approximately one month. Others may require several months.

40. Procure Office Equipment and Furnishings

These activities will include:

- soliciting bids and awarding contracts for equipment and furnishings and their installation
- expediting suppliers of equipment

This work will be done by O.T.B. staff.

41. Finish Development of Department Programs and Procedures

This is a continuation of activity number 24 (Start Development of Department Programs and Procedures) and is allocated a time of 1 month.

42. Programming

The computer programming should be carried out by the same outside organization responsible for Detailed Computer Systems

Design. Several data processing suppliers have completed most of the programming. The modifications necessary to meet the user requirements will require approximately three months. Other suppliers who have not done this advance programming may require several months.

43. Alterations and Construction

This activity will include:

- liaison with contractors
- supervision and control of construction
- processing of change orders
- arranging for the installation of equipment.

We expect that this work will be carried out by O.T.B. staff. However, the project management team should be involved in the scheduling and monitoring of the construction and installation activities.

44. Hire and Train Operational Staff

The hiring will be carried out by the Personnel Manager with the final selection made by the department managers. The training will include a staff induction program and on-the-job training.

45. Implement Advertising and Public Relations Programs

This work will be carried out by the agencies selected and O.T.B. personnel in the normal course of their duties. This activity is estimated to take 4 months.

46. Move into New Facilities

In addition to the normal transfer of a large staff, special consideration must be given to the installation and testing of the computer, telephone betting and communications equipment.

47. Final Staff Training and Test of System

The final staff training will be carried out by O.T.B. personnel with monitoring, as required, by the project management team.

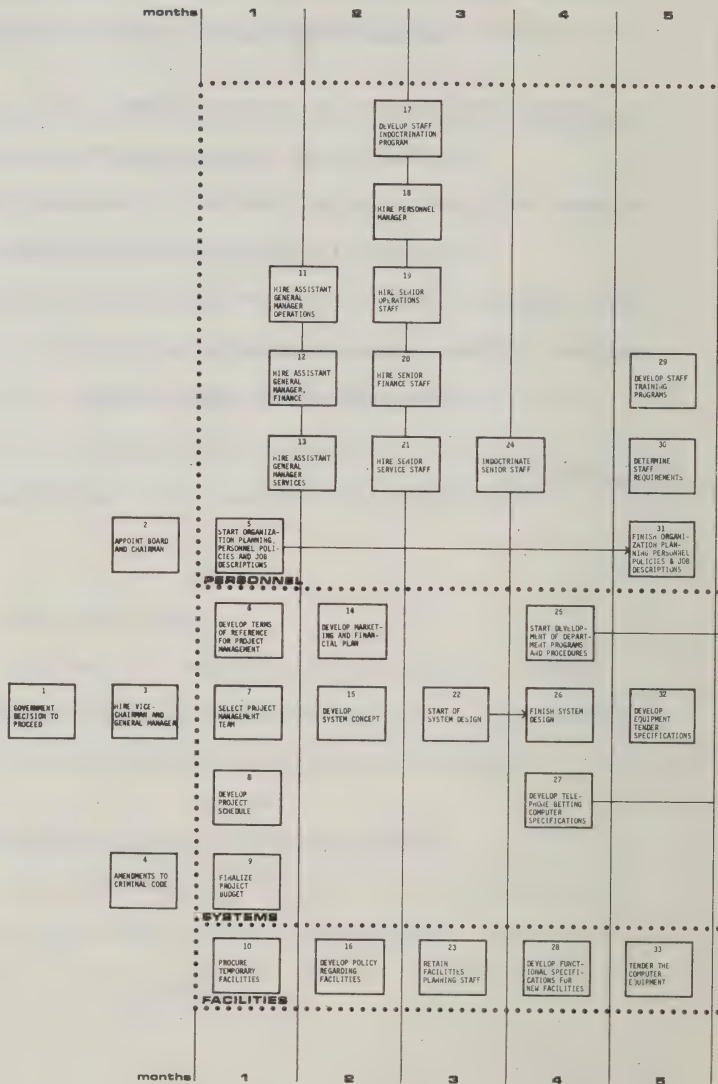
The system test will involve the project management team, O.T.B. personnel and the people responsible for the data processing equipment, systems design and programming.

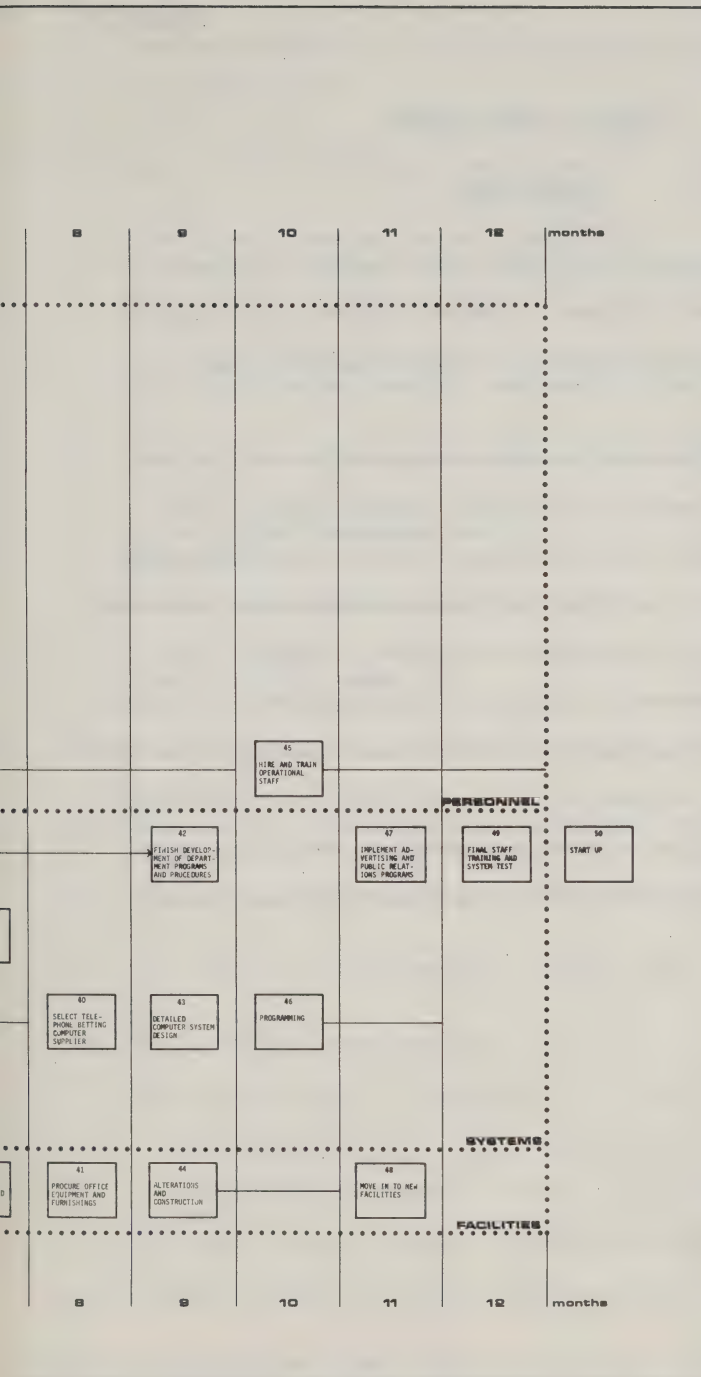
This activity will take 2 months.

48. Start Up

PROJECT ACTIVITIES FOR IMPLEMENTATION OF OFF TRACK BETTING PRELIMINARY ESTIMATES-MODIFIED MANUAL SYSTEM

Prepared by Woods, Gordon & Co.





MODIFIED MANUAL SYSTEMINTRODUCTION

We estimate that it will take 12 months to implement a modified manual system. The time is shorter than for an automated system because less time is required for the systems design and implementation.

Where the activities are similar to those of the full system described in Appendix I they are not described again. The number in brackets after the activity name refers to the corresponding activity in Appendix I. Only the significant differences are described.

Their major qualitative difference is caused by the reduction in the implementation period from 18 months down to 12 months. The result is that the personnel, systems and facilities activities will all become critical. In addition, the senior operations, finance and services personnel may not be hired soon enough to participate in the development of the overall plans for their respective disciplines.

ACTIVITY DESCRIPTIONS

1. Government Decision to Proceed and Definition of Operating Objectives (1)
2. Appoint Board of Directors and Chairman (2)
3. Hire Vice-Chairman and General Manager (3)
4. Amendments to Criminal Code (4)
5. Start Organization Planning, Personnel Policies and Job Descriptions (5)
6. Develop Terms of Reference for Project Management (6)
7. Select Project Management Team (7)
8. Develop Project Schedule (8)
9. Finalize Project Budget (9)
10. Procure Temporary Facilities for Staff (10)
11. Hire Assistant General Manager, Operations (11)
12. Hire Assistant General Manager, Finance (12)
13. Hire Assistant General Manager, Services (13)
14. Develop Marketing and Financial Plan (14)

This activity should be completed by the end of the second month of the development period, which could be prior to the hiring of the Assistant General Manager. If this is the procedure followed, the AGM's might be unable to participate in the development of the marketing and financial plans.
15. Develop System Concept (15)

16. Develop Policy Regarding Facilities (16)
17. Develop Staff Indoctrination Program (17)
18. Hire Personnel Manager (18)
19. Hire Senior Operations Staff (19)
20. Hire Senior Finance Staff (20)
21. Hire Senior Service Staff (21)
22. Start of System Design (23)

The system design for a modified manual system will require two months, rather than the three for the automated system.
23. Retain Facilities Planning Staff (26)
24. Indoctrinate Senior Staff (22)
25. Start Development of Department Programs and Procedures (24)
26. Finish System Design (27)
27. Develop Telephone Betting Computer Specifications

This activity will be similar to activities 25 and 31 (Start and Finish Computer Tender Specifications).
28. Develop Functional Specifications for New Facilities (32)

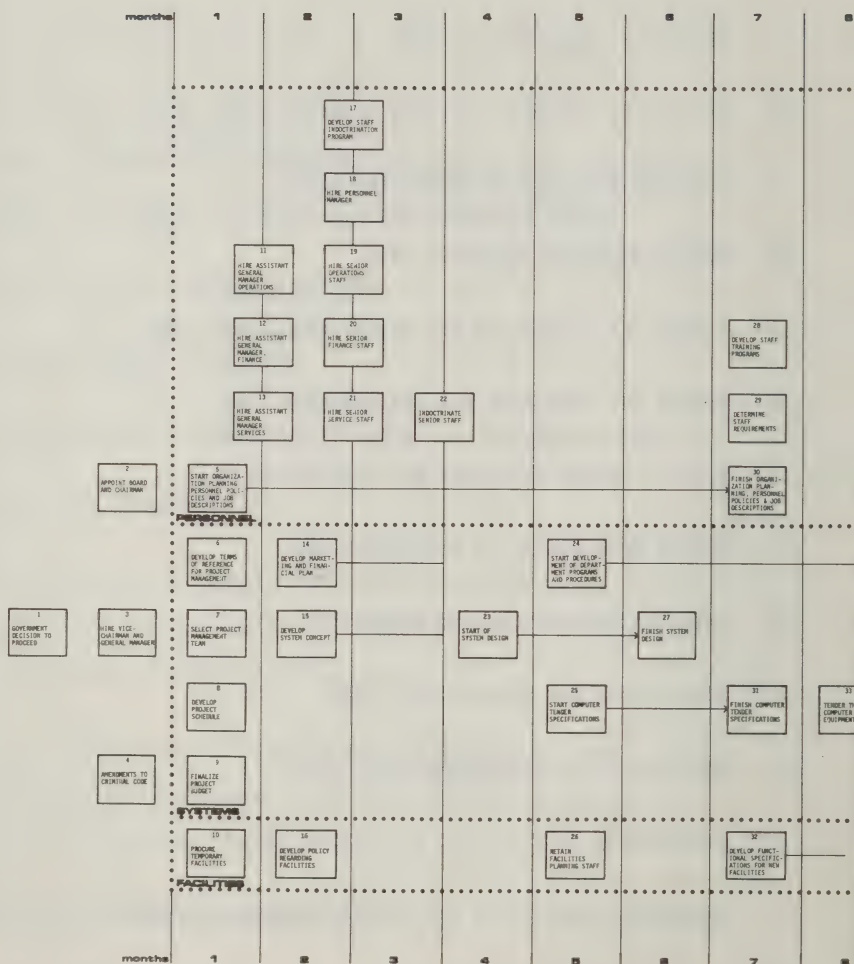
This activity would be advanced by three months and reduced in duration from the automated development schedule.
29. Develop Staff Training Programs (28)
30. Determine Staff Requirements (29)
31. Finish Organization Planning, Personnel Policies and Job Descriptions (30)

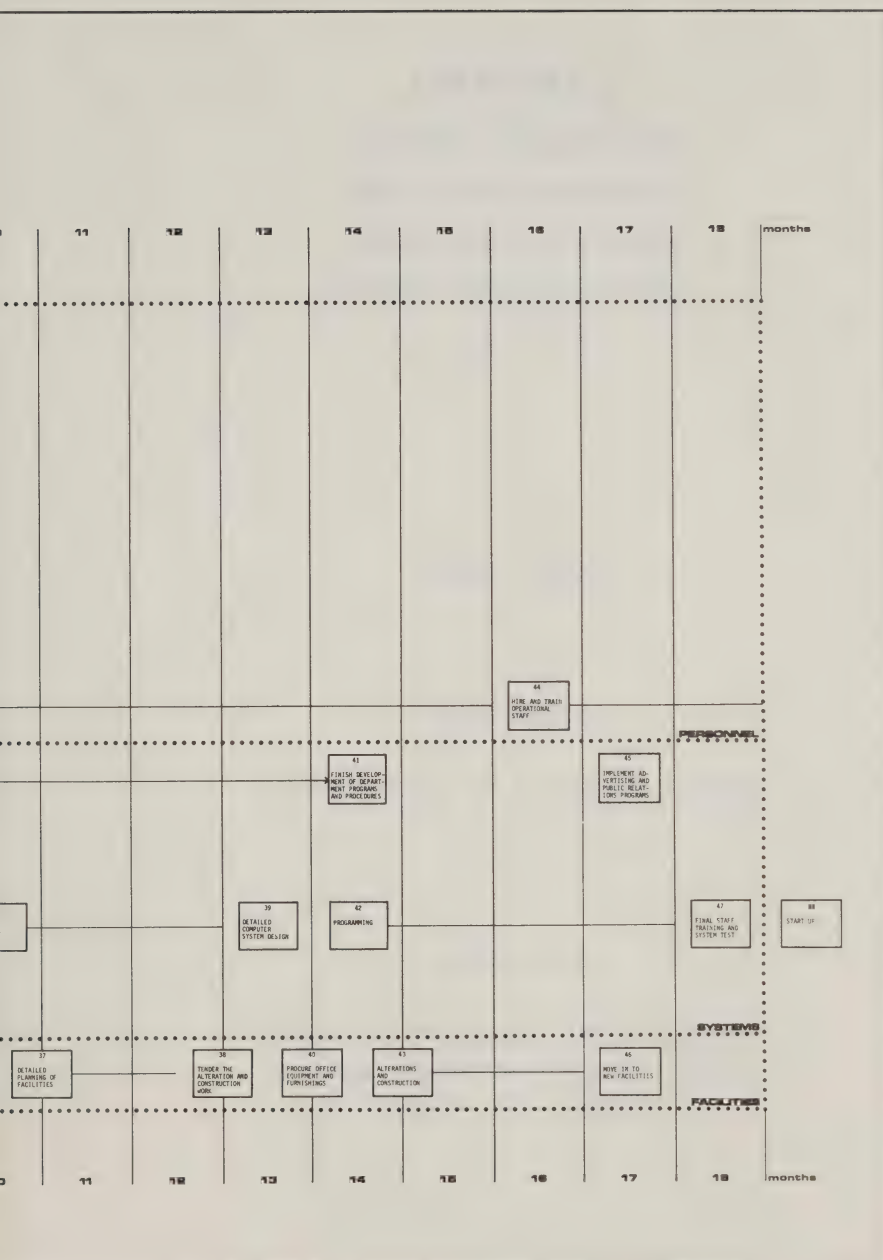
This refers to the equipment necessary for accepting and paying bets, and bet collation and transmission, functions which would be handled by the computer on an automated system. This same equipment is referred to in subsequent activities 35 (Tender the Equipment Package) and 38 (Select Equipment Supplier).

33. Obtain Suitable Sites (34)
34. Commence Hiring and Training Headquarters Staff (35)
35. Tender the Equipment Package
36. Tender the Telephone Betting Computer (33)
37. Detailed Planning of Facilities (37)
38. Select Equipment Supplier (36)
39. Tender the Alteration and Construction Work (38)
40. Select the Telephone Betting Computer (36)
41. Procure Office Equipment and Furnishings (40)
42. Finish Development of Procedures (41)
43. Detailed Computer System Design (39)
44. Alterations and Construction (44)
45. Hire and Train Operations Staff (44)
46. Programming (42)
47. Implement Advertising and Public Relations Programs (45)
48. Move into New Facilities (46)
49. First Staff Training and Systems Test (49)
50. Start-up (48)

PROJECT ACTIVITIES FOR IMPLEMENTATION OF OFF TRACK BETTING PRELIMINARY ESTIMATES

Prepared by Woods, Gordon & Co.





APPENDIX F

A CONSUMER RESEARCH STUDY
AMONG ONTARIO RESIDENTS
CONCERNING AN OFF TRACK
BETTING SYSTEM IN ONTARIO

FINAL REPORT

Submitted to

THE TASK FORCE ON OFF TRACK BETTING

Submitted by

Innovative Marketing (1971) Limited
43 Eglinton Avenue East, 9th floor,
Toronto 315, Ontario

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I. SUMMARY

A. Introduction

Innovative Marketing (1971) Limited was retained by the Task Force on Off Track Betting to study the horse race betting behaviour of residents of Ontario with respect to the major race tracks (i.e. the three major Thoroughbred race tracks, Woodbine, Greenwood and Fort Erie and the three major Harness race tracks, Greenwood, St. Catharines and Campbellville)

- (a) as it currently is; and
- (b) as it would be should the Government of Ontario implement an Off Track Betting system.

The source data for this report came from

- (a) one group interview;
- (b) 18,323 telephone interviews conducted in Metropolitan Toronto, Kingston, Sault Ste. Marie and Thunder Bay; and
- (c) 505 personal interviews conducted in the above cities

The group interview was conducted

- (a) to understand the parameters of the subject matter of the study; and

- (b) to provide direction for the development of the questionnaire for the personal interviews.

The telephone interviews were conducted

- (a) to obtain names of bettors for the personal interviews; and
- (b) to ascertain the proportion of the population in the cities studied that has an active interest in horse races in order to be able to extend the results of the personal interviews to the entire Province.

Each respondent to the personal interview was asked

- (a) to describe his current betting behaviour;
- (b) to estimate the effect that messenger services (i.e. the off track betting shops which are currently operating in Ontario) had on his betting behaviour; and
- (c) to indicate whether he would use a Government Off Track Betting System (i.e. this report analyzes five alternative Government Off Track Betting Systems each of which is defined on page 7 under the heading Government Off Track Betting Systems), the expected extent of this use, and the expected effect that this use would have on his current betting behaviour.

Each respondent was also asked other questions, the results of which are analyzed in Section VII, entitled Ancillary Data. The Ancillary Data section analyzes:

(a) Other Tracks

- (i) Information was obtained from respondents to the General Bettor Survey regarding their betting behaviour with respect to other tracks; i.e. tracks other than the major race tracks; and
- (ii) A study was conducted at Windsor Raceway and Western Fair Raceway in order to obtain information regarding the betting behaviour of trackgoers at these race tracks.

(b) Major Races

Information was obtained from respondents to the General Bettor Survey regarding their demand to bet major races such as the Kentucky Derby.

(c) Superfecta

Information was obtained from respondents to the General Bettor Survey regarding their demand to bet the Superfecta (the Superfecta is defined on page 456).

(d) Demographics of the Trackgoer

Information was obtained from respondents to the General Bettor Survey regarding why they attend

the race track in order to determine the accuracy of the categories contained in the article, Off Track Betting - Boon or Bog, by Spindletop Research.

All discussion related to the Ancillary Data is deferred to Section VII.

The results of this study, the highlights of which appear below, are divided into two sections:

- (a) Section A contains an overview of the racing industry - present and future. It examines
 - (i) the present Ontario total race handle (i.e. the total number of dollars wagered, both on track and off track, on horses running at the major race tracks);
 - (ii) the expected handle of the Government Off Track Betting Systems; and
 - (iii) the future (i.e. after a Government Off Track Betting System has been implemented) expected Ontario total race handle (i.e. the total number of dollars wagered, both on track and off track, on horses running at the major race tracks).

(b) Section B contains an in depth analysis of the components of the racing industry; namely

(i) Major Race Tracks

It examines

(a) the effect of the messenger services and the Government Off Track Betting Systems on the major race tracks' handle and usage.

(b) the effect of the Government Off Track Betting Systems on the major race tracks over time.

(ii) Messenger Services

It examines

(a) the handle and usage of the messenger services with respect to the major race tracks and the demographic profile of the messenger service customers.

(iii) Bookmakers

It examines

(a) the handle and usage of bookmakers with respect to the major race tracks and the demographic profile of the bookmaker customer.

- (b) the effect of the messenger services and the Government Off Track Betting Systems on the bookmakers' handle and usage.
- (c) the effect of the Government Off Track Betting Systems on the bookmakers over time with respect to the major race tracks.

(iv) Government Off Track Betting Systems

It examines

- (a) the handle and usage of the Government Off Track Betting Systems with respect to the major race tracks and the demographic profile of the Government Off Track Betting System customer.
- (b) the composition of the Government Off Track Betting System handle.
- (c) whether the Government Off Track Betting System can compete with the bookmakers.
- (d) whether it is feasible to attract those respondents who indicated that they would "never" use the Government Off Track Betting Systems.
- (e) whether delaying payoff until the next day would likely affect the handle and usage of the Government Off Track Betting Systems.

- (f) the various Government Off Track Betting Systems.
- (g) operational data to assist in the implementation of the Government Off Track Betting Systems; namely, a breakdown of use
 - (i) between week and weekend;
 - (ii) into hours of day; and
 - (iii) into preferred location.

The results should be interpreted subject to those matters discussed in Appendices 5 and 6.

Appendix 5 entitled Reliability, Validity and Statistical Considerations discusses those matters inherent in this study which might restrict the reliability, validity and statistical significance of the results.

Appendix 6 entitled Conditions discusses a series of Conditions (some based on assumption and some based on fact) upon which the results are based.

Two further matters are discussed prior to the presentation of the highlights of the results:

(a) Government Off Track Betting Systems

In this report five different Government Off Track Betting Systems are examined; i.e. respondents were requested to predict their betting

behaviour with respect to five alternative systems:

- (i) an Off Track Betting Shop without up to the minute odds ("minimum shop")
- (ii) an Off Track Betting Shop with up to the minute odds ("maximum shop")
- (iii) a telephone system ("telephone system")
- (iv) an Off Track Betting Shop without up to the minute odds and a telephone system ("minimum combined system")
- (v) an Off Track Betting Shop with up to the minute odds and a telephone system ("maximum combined system")

Reference should be made to page 31 where the minimum shop (the maximum shop differs only in that up to the minute odds are available) and the telephone system are described.

It was decided that two of these systems, the maximum shop and the maximum combined system, should not be analyzed in this report and the reasons for this decision are described on page 65.

(b) It was stated above that personal interviews were conducted in (i) Metropolitan Toronto; (ii) Kingston, and (iii) Sault Ste. Marie-Thunder Bay. The results of these surveys were then projected to the Metropolitan Toronto, Southern Ontario and Northern Ontario regions respectively. These three regions comprise the entire Province of Ontario. On pages 61 to 64 there is contained a discussion of

- (i) the reasons for the division of the Province into these three regions;
- (ii) the projection technique used; and
- (iii) the projection factors used.

B. Highlights of the Results

1. Overview - The Racing Industry

(a) Total Race Handle - Present

The present Ontario total race handle (i.e. the total number of dollars wagered, both on track and off track, on horses running at the major race tracks) is 249.4 million dollars and is made up as follows:

(i)	amount bet directly at the major race tracks	179.9 million \$
(ii)	amount bet through book-makers	26.3 million \$
(iii)	amount bet at the messenger services	<u>43.2</u> million \$
	Total	249.4 million \$

Of this handle of 249.4 million dollars

- (i) 65% comes from the Metropolitan Toronto region;
- 34.5% comes from the Southern Ontario region; and
- .5% comes from the Northern Ontario region.

- (ii) 69.5 million dollars or 27.9% is wagered at an off track betting facility. This indicates a significant consumer demand for off track betting facilities. A significant proportion of this demand is currently being satisfied by bookmakers.

(b) Government off Track Betting System Handle

It is estimated that the Government Off Track Betting System handle for Ontario with respect to the major race tracks will be:

Minimum Shop	105.1 million \$
Telephone System	87.0 million \$
Minimum Combined System	140.8 million \$

Of the minimum combined system handle of 140.8 million dollars

- (i) 65.7% will come from the Metropolitan Toronto region;
- 34.3% will come from the Southern Ontario region; and
- 4.0% will come from the Northern Ontario region.

(c) Total Race Handle - Future

The future Ontario total race handle (i.e. the total number of dollars wagered, both on track and off track, on horses running at the major race tracks) will be made up as follows:

(i) Minimum Shop

Amount bet directly at the major race tracks	175.9 million \$
Amount bet through bookmakers	18.8 million \$
Amount bet at the Minimum Shop	<u>105.1</u> million \$
Total Race Handle	299.8 million \$

(ii) Telephone System

Amount bet directly at the major race tracks	176.4 million \$
Amount bet through bookmakers	20.6 million \$
Amount bet at the Telephone System	<u>87.0</u> million \$
Total Race Handle	284.0 million \$

(iii) Minimum Combined System

Amount bet directly at the major race tracks	172.4 million \$
--	------------------

Amount bet through bookmakers	15.1 million \$
----------------------------------	-----------------

Amount bet at the Minimum Combined System	<u>140.8</u> million \$
---	-------------------------

Total Race Handle	328.3 million \$
-------------------	------------------

Of the minimum combined system handle of
328.3 million dollars

(a) 62.2% will come from the Metropolitan
Toronto region;

35.9% will come from the Southern
Ontario region; and

1.9% will come from the Northern
Ontario region.

(b) 155.9 million dollars or 47.5% will
be wagered at an off track betting
facility. Only a small portion of this
155.9 million dollars (15.1 million dollars)
will be wagered with bookmakers. This,
together with the increase in total

race handle from 249.4 million dollars to 328.3 million dollars (which comes from new money bet) indicates a strong consumer demand for a Government Off Track Betting System.

2. Analysis - Components of the Racing Industry

(a) Race Tracks

(i) Effect of the Messenger Services and the Government Off Track Betting Systems on Major Race Tracks' Handle

Each respondent to the personal interview who bets with the messenger service was asked to estimate the amount of money he used to bet directly at the major race tracks before he started to use the messenger service. He was also asked the amount he now bets directly at the major race tracks. It is estimated that the messenger services have reduced the amount bet directly at the major race tracks by ten million dollars annually. (It should be emphasized that this figure of 10 million dollars represents the reduction in handle bet directly at the major race tracks. However, if one assumes that a portion of the messenger service handle is transported to the major race tracks by the messenger service then the reduction in the handle of the major race tracks caused by the messenger service is, of course, much less than ten million

dollars. It is beyond the ambit of this report to estimate what percentage of the messenger service handle actually reaches the major race tracks).

Each respondent who stated that he would use a Government Off Track Betting System was asked to estimate the effect that this use would have on his handle bet directly at the major race tracks. It is estimated that the handle bet directly at the major race tracks will be reduced by

Minimum Shop	4.0 million dollars
Telephone System	3.5 million dollars
Minimum Combined System	7.5 million dollars

When a Government Off Track Betting System reaches maturity the amount bet directly at the major race tracks will be reduced each year by

Minimum Shop	14.0 million dollars
Telephone System	13.5 million dollars
Minimum Combined System	17.5 million dollars.

These handle reductions represent the cumulative effect of

(a) the messenger service and

(b) the Government Off Track Betting Systems.

The Metropolitan Toronto region accounts for all of these handle reductions - there will be an insignificant reduction in handle from residents of the Southern Ontario and Northern Ontario regions.

(ii) Effect of the Messenger Services and the Government Off Track Betting Systems on Major Race Tracks' Usage

Each respondent to the personal interview who bets with the messenger service was asked to estimate his usage of the major race tracks before he started to use the messenger service. He was also asked to estimate his current usage of the major race tracks. It is estimated that the messenger services have reduced the usage of the major race tracks by 102,264 people days, (people days is arrived at by multiplying days per person by number of persons) annually.

Each respondent who stated that he would use a Government Off Track Betting System was asked to estimate the effect that this would have on his usage of the major race tracks. It is estimated

that the usage of the major race tracks will be reduced by

Minimum Shop	36,616 people days
--------------	--------------------

Telephone System	42,599 people days
------------------	--------------------

Minimum Combined System	71,485 people days
-------------------------	--------------------

When a Government Off Track Betting System reaches maturity the usage of the major race tracks will be reduced each year by

Minimum Shop	138,880 people days
--------------	---------------------

Telephone System	144,863 people days
------------------	---------------------

Minimum Combined System	173,749 people days
-------------------------	---------------------

These usage reductions represent the cumulative effect of

(a) the messenger services and

(b) the Government Off Track Betting Systems.

The Metropolitan Toronto region accounts for almost all of these reductions in usage - there will be an insignificant reduction in usage from residents of the Southern Ontario and Northern Ontario regions.

(iii) The Future of the Major Race Tracks

It appears that the future existence of the major race tracks will not be jeopardized by the Government Off Track Betting Systems over time. The success of the Government Off Track Betting System will result from the fact that it will satisfy the present strong consumer demand for a legal, reliable off track betting facility. Its success is not dependent upon a transfer of betting from direct wagering at the major race tracks to wagering at the Government Off Track Betting System.

(b) Messenger Services - Handle, Usage and Demographic Profile of Customers

A significant percentage of bettors in the Metropolitan Toronto and Southern Ontario regions (24.4% and 10.7% respectively) use the messenger services and bet approximately 43.2 million dollars through them annually on horses running at the major race tracks. This is further evidence of the significant consumer demand for off track betting facilities.

It is beyond the ambit of this report to estimate what percentage of this 43.2 million dollars actually gets transported to the pari-mutuel windows of the major race tracks by the messenger services.

The largest percentage of messenger services' customers appears to be:

- male;
- over 31 years of age;
- reasonably well educated; and
- employed with an annual family income in the Metropolitan Toronto region of over \$10,000 and in the Southern Ontario region of over \$7,000.

(c) Bookmakers

(i) Handle, Usage and Demographic Profile of Customers

A significant percentage of bettors in all of the regions (12.8%, 8.2% and 8.3% in the Metropolitan Toronto, Southern Ontario and Northern Ontario regions respectively) use the services of a bookmaker and bet approximately 26.3 million dollars through them annually on horses running at the major race tracks. This is further evidence of the significant consumer demand for off track betting facilities.

The largest percentage of bookmakers' customers appears to be:

- male;
- over 31 years of age;
- reasonably well educated; and
- employed with an annual family income in the Metropolitan Toronto region of over \$10,000 and in the Southern Ontario and Northern Ontario regions of over \$7,000.

(ii) Effect of the Messenger Services and the Government Off Track Betting Systems on Bookmakers' Handle with Respect to the Major Race Tracks

Each respondent to the personal interview who bets with the messenger service was asked to estimate the amount of money he used to bet with bookmakers before he started to use the messenger service. He was also asked the amount he now bets with a bookmaker. It is estimated that the messenger services have reduced the amount bet with bookmakers with respect to horses running at the major race tracks by 18.2 million dollars annually.

Each respondent who stated that he would use a Government Off Track Betting System was asked to estimate the effect that this use would have on

his handle bet with the bookmaker. It is estimated that the handle bet with the bookmaker will be reduced by

Minimum Shop	6.9 million dollars
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Telephone System	5.7 million dollars
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Minimum Combined System	11.2 million dollars
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When a Government Off Track Betting System reaches maturity the amount bet with bookmakers on horses running at the major race tracks will be reduced each year by

Minimum Shop	25.1 million dollars
--------------	----------------------

Telephone System	23.9 million dollars
------------------	----------------------

Minimum Combined System	29.4 million dollars
-------------------------	----------------------

These handle reductions represent the cumulative effect of

(a) the messenger service and

(b) the Government Off Track Betting Systems.

Of this total reduction in handle, approximately

70% comes from the Metropolitan Toronto region;

30% comes from the Southern Ontario region; and

less than 2% comes from the Northern Ontario region.

(iii) Effect of the Messenger Services and the Government Off Track Betting Systems on Bookmakers' Usage with Respect to the Major Race Tracks

Each respondent to the personal interview who bets with the messenger service was asked to estimate his usage of the bookmaker with respect to horses running at the major race tracks before he started to use the messenger service. He was also asked to estimate his current usage of the bookmaker. It is estimated that the messenger services have reduced the usage of the bookmaker by 353,919 people days (people days is arrived at by multiplying days per person by number of persons) annually.

Each respondent who stated that he would use a Government Off Track Betting System was asked to estimate the effect that this would have on his usage of the bookmaker with respect to horses running at the major race tracks. It is estimated that the usage of the bookmaker will be reduced by

Minimum Shop	203,838 people days
Telephone System	160,458 people days
Minimum Combined System	271,149 people days

When a Government Off Track Betting System reaches maturity the usage of the bookmaker with respect to horses running at the major race tracks will be reduced each year by

Minimum Shop	557,757 people days
Telephone System	514,377 people days
Minimum Combined System	625,068 people days

These usage reductions represent the cumulative effect of

- (a) the messenger services and
- (b) the Government Off Track Betting Systems.

Of this total reduction in usage approximately

75% comes from the Metropolitan Toronto region;

22% comes from the Southern Ontario region; and

less than 5% comes from the Northern Ontario region.

(iv) The Future of the Bookmaker

If one assumes that the bookmaker will not change his marketing techniques in order to improve his competitive position over the Government Off Track Betting System (e.g. by giving odds greater than track odds), it is believed that bookmakers will continue over time to lose horse race revenue and customers. However, the bookmakers' horse race handle may, in fact, be only a small portion of their total handle. (It was not the purpose of this study to define the division in the handle of the bookmaker between horse races and other sports). Therefore, although the bookmakers' horse race handle will be substantially reduced by the Government Off Track Betting Systems, their revenue from other sources may continue to be enough to ensure their continued existence.

(d) Government Off Track Betting Systems

(i) Handle, Usage and Demographic Profile of Customers

A significant percentage of bettors in all of the regions (with respect to the minimum combined system 46.4%, 18.0% and 44.4% of all bettors in the Metropolitan Toronto, Southern Ontario and Northern Ontario regions respectively) will

"definitely" use the Government Off Track Betting Systems and will bet

Minimum Shop	105.1 million dollars
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Telephone System	87.0 million dollars
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Minimum Combined System	140.8 million dollars
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through them annually. This is still further evidence of the significant consumer demand which exists for a Government Off Track Betting System.

The largest percentage of Government Off Track Betting Systems' customers will be:

- male;
- over 31 years of age;
- reasonably well educated; and
- employed with an annual family income in the Metropolitan Toronto region of over \$10,000 and in the Southern Ontario region and Northern Ontario region of over \$7,000.

(ii) Composition of the Handle of the Government Off Track Betting Systems

New money into the system and to a lesser extent

money currently being wagered through bookmakers will be the most significant sources of the handle of the Government Off Track Betting Systems. This again emphasizes the significant consumer demand for a Government Off Track Betting System. Although money currently bet directly at the major race tracks will comprise a substantial portion (approximately 20%) of the Government Off Track Betting System handle in the Metropolitan Toronto region, it will contribute little in the Southern Ontario and Northern Ontario regions.

(iii) Reasons Government Off Track Betting Systems Will Be Successful

The Government Off Track Betting Systems will be successful because they will satisfy a significant consumer demand for a legal, reliable off track betting facility - a demand which is apparently not being adequately satisfied by the present off track betting facilities (i.e. bookmakers and messenger services). The significant amount of new money into the System that will be generated by the Government Off Track Betting Systems together with the fact that the Government Off Track Betting Systems will substantially decrease the bookmakers' handle with respect to those who currently bet at least horses with bookmakers are strong evidence of this fact.

(iv) Feasibility of Attracting Respondents Who Stated That They Would Never Use the Government Off Track Betting Systems

(1) Minimum Shop

A desire to see the horses run appears to be the most significant reason expressed by respondents regarding why they would never use the minimum shop. It is not feasible for the Government to overcome this unless the races are televised and this might not be desirable.

(2) Telephone System

A desire to see the horses run appears to be a significant reason expressed by respondents regarding why they would never use the telephone system. As stated above, it is not feasible for the Government to overcome this unless the races are televised and this might not be desirable.

Other reasons expressed by respondents regarding why they would never use the telephone system; namely,

- (a) Do not want Government to have record of gambling;
- (b) Do not want to deposit money; and

- (c) Do not want to deposit as much as \$25.00

can be overcome by

- (a) ensuring bettors that their records will be kept confidential; and
- (b) educating the public about the operation of the deposit system and by setting up a convenient method of making deposits.

(v) Effect of Delaying Payoff Until the Next Day on the Handle and Usage of the Government Off Track Betting Systems

The betting behaviour of a large percentage of minimum shop users would change if payoffs were delayed until the next day; namely, 14%, 39% and 13% of all minimum shop Thoroughbred users and 19%, 63% and 16% of all minimum shop Harness users in the Metropolitan Toronto, Southern Ontario and Northern Ontario regions respectively. Of those whose betting behaviour would change if payoff were delayed until the next day, a significant percentage (approximately 50%) would

- (a) bet fewer days;
- (b) bet fewer races; and
- (c) bet lesser amounts.

(vi) Implementation Decision

This report analyzes in detail three alternative Government Off Track Betting Systems; namely,

- (a) the minimum shop;
- (b) the telephone system; and
- (c) the minimum combined system.

In order to decide which System(s) should be implemented the Government should consider, economic factors (i.e. a profitability analysis) and in addition, various non economic factors such as:

- (a) the fact that the existence of the shops will stimulate impulse trials, and
- (b) the fact that the existence of the shops will increase public exposure to the Government Off Track Betting System and help reinforce the messages communicated through advertising.

(vii) Operational Data

(a) Week/Weekend Usage

For both the minimum shop and the telephone system there will be active use by both Thoroughbred and Harness bettors during the week and weekend. In the Metropolitan

Toronto region there will be heavier use during the week while in the Southern Ontario and Northern Ontario regions there will be heavier use during the weekend.

(b) Hours of Day

In the Metropolitan Toronto and Southern Ontario regions the peak hours will be from 12 noon to 1 p.m. and from 4 p.m. to 6 p.m. In the Southern Ontario region there will be, in addition to the above, heavy use from 7 a.m. to 9 a.m. In the Northern Ontario region the peak hours will be from 12 noon to 1 p.m., 3 p.m. to 4 p.m. and 7 p.m. to 8 p.m.

(c) Locational Preferences

(i) Point of Origin

In the Metropolitan Toronto region the preference is strongest for shops to be located near work and near home - there is little demand for a shop on the route to and from work.

In the Southern Ontario and Northern Ontario regions respondents expressed strong preferences for shops to be located near home, near work and on the driving route to and from work.

(ii) Distances From Point of Origin

With the exception of those who are driving to work (who appear willing to drive 5 to 10 minutes), an effort should be made to locate the shop as close to a ten minute walking time as possible from the point of origin.

Description of the Minimum Shop as it appears on page 17 of the General Bettor Survey Questionnaire

I will now describe to you a proposed Off Track Betting Shop system which, if implemented, would be either government run or government controlled. There would be a number of these shops located in many Ontario cities. The public would be able to bet Thoroughbred horse races at Woodbine, Greenwood, and Fort Erie; Harness races at Greenwood, St. Catharines and Campbellville. The same types of bets that are offered at the track would be offered through these Off Track Betting Shops - daily doubles, exactors, win, place and show bets. All bets made at the Off Track Betting Shops would be computer recorded and become part of the pari-mutuel pools at the race tracks.

In order to bet a particular horse race, a bet would have to be placed one half hour before post time. These Off Track Betting Shops would not have the facilities to inform patrons of the odds on any horse at the track.

All transactions at the Off Track Betting Shops would be by cash only and winning tickets could be cashed immediately

after the race had been run or anytime thereafter.

All winning tickets would pay the same price as winning tickets at the track. Any winning ticket could be cashed at any of the Off Track Betting Shops located throughout the Province regardless of from which shop they were purchased.

Description of the Telephone System as it appears on page 26 of the General Bettor Survey Questionnaire

I will now describe an alternative form of Off Track Betting System. This system would also be government controlled or government run. You would be able to open an account at designated locations throughout the city. The account would have to be in the amount of at least \$25.00. If you opened an account you would be given a code number and code name. You could then telephone a specified telephone number and would give the operator your code number and code name and you would be told your current balance. You could then place the same bets as can be placed at the track: daily double, exactor, win, place and show on a Thoroughbred race at Fort Erie, Woodbine or Greenwood or on a Harness race at Greenwood, St. Catharines or Campbellville. You would be able to place your bet at any time up to one half hour before post time for that race. Your bet amount would be recorded at the track and entered into the pari-mutuel pool. After you placed all your bets the operator would advise you of your closing balance. After the running of a race all winnings would automatically be put into the winner's account. You could make deposits to and withdrawals from the account whenever you desired.

II PREAMBLE

The preamble which appears on the following pages contains an introduction to this report and is divided into the following subsections:

A. Definitions

This subsection contains definitions of the most common terms used throughout this report.

B. Background

This subsection contains a very brief discussion of

- (a) the kinds of horse races in Ontario; and
- (b) the alternative courses of action available to an individual who wishes to place a bet on a horse race.

C. Framework of Results

This subsection contains a brief outline of what is contained in the results. It states that the results are divided into two parts; namely,

- (a) an overview of the racing industry; and
- (b) an analysis of the components of the racing industry.

A. Definitions

1. "total race handle"
means the total number of dollars wagered, both on track and off track, on horses running at the major race tracks;
2. "usage"
means the number of people days and is arrived at by multiplying days per person by number of persons;
3. "major race tracks"
means the three major Thoroughbred race tracks (Woodbine, Greenwood and Fort Erie) and the three major Harness race tracks (Greenwood, St. Catharines and Campbellville);
4. "messenger services"
means the off track betting shops which are currently operating in Ontario;
5. "bookmaker"
means illegal bookmaker;
6. "Government Off Track Betting Systems"
means the five alternative systems described on page 59 of this report;
7. the "past"
means that period of time immediately before messenger services were introduced;

8. the "present"
means the present period when messenger services are in existence;
9. the "future"
means that period when there will be in operation a Government Off Track Betting System;
10. a person with an "active interest in horse races"
means a person who indicated in the General Population Survey (see Section V entitled Methodology) that he does one or more of the following:
 - (a) attends the races;
 - (b) bets with a messenger service;
 - (c) bets with a bookmaker; and
 - (d) bets on the horses;
11. "components of the racing industry"
means the
 - (a) major race tracks;
 - (b) bookmakers;
 - (c) messenger services; and
 - (d) Government Off Track Betting Systems;

12. "other tracks"
means race tracks other than the major race tracks;
13. "Task Force"
means the Task Force on Off Track Betting.

B. Background

Innovative Marketing (1971) Limited was retained by the Task Force to study the horse race betting behaviour, particularly as it relates to the major race tracks, of residents of Ontario.

In Ontario there are two kinds of horse races:

- (a) Thoroughbred races (also known as Flat races); and
- (b) Standardbred races (also known as Harness races).

At present an individual who wishes to place a bet on a horse has basically three alternative courses of action available to him. He can place his bet

- (a) directly at the race track; or
- (b) with a messenger service; or
- (c) through an illegal bookmaker.

Should the Government of Ontario implement an Off Track Betting System an individual who wishes to place a bet on a horse would have three alternative courses of action available to him. He could place his bet

- (a) directly at the race track; or
- (b) with the Government Off Track Betting System; or
- (c) through an illegal bookmaker.

It should be stressed that prior to 1969 there were no messenger services and accordingly a person who wished to place a bet on a horse had only two alternative courses of action available to him. He could have placed his bet

- (a) directly at the race track; or
- (b) through an illegal bookmaker.

This report analyzes in depth the betting behaviour of the residents of Ontario as it relates to the major race tracks.

The source data from which the analysis was made came from personal interviews conducted in Metropolitan Toronto, Kingston, Sault Ste. Marie and Thunder Bay.

Each respondent to the personal interview was asked

- (a) to describe his current betting behaviour;
- (b) to estimate the effect that messenger services had on his betting behaviour; and
- (c) to indicate whether he would use a Government Off Track Betting System, the expected extent of this use, and the expected effect that this use would have on his current betting behaviour.

Each respondent was also asked other questions the results of which are analyzed in Section VII entitled Ancillary Data. All discussion related to the Ancillary Data is deferred to Section VII.

C. Framework of Results

A review of the results will indicate the fact that they are analyzed in terms of three time periods - the past, the present and the future, each of which is defined above.

The results are divided into two sections:

1. Section A contains an overview of the racing industry - present and future. It examines
 - (a) the total race handle in the present;
 - (b) the expected handle of the Government Off Track Betting Systems; and
 - (c) the expected total race handle in the future.
2. Section B contains an in depth analysis of the components of the racing industry. It examines, among other things,
 - (a) the effect of the messenger services and the Government Off Track Betting Systems on the handle and usage of the major race tracks;

- (b) the handle and usage of the messenger services; and the demographic profile of the messenger service customer;
- (c) the handle and usage of bookmakers; the demographic profile of the bookmaker customer; and the effect of the messenger services and the Government Off Track Betting Systems on the handle and usage of the bookmaker; and
- (d) the handle and usage of the Government Off Track Betting Systems; the expected composition of the Government Off Track Betting System handle; the demographic profile of the Government off Track Betting System customer; and some of the operational data which will assist in the implementation of the Government Off Track Betting System.

As stated earlier, the results of other questions asked each respondent to the General Bettor Survey, are discussed in Section VII entitled Ancillary Data.

III PURPOSE

To study the horse race betting behaviour, with respect to the major race tracks, of residents of Ontario

- (a) as it currently is; and
- (b) as it would be should the Government of Ontario implement an Off Track Betting System.

IV. OBJECTIVES

The objectives form the backbone of a report. It is the objectives which describe the questions which the rest of the report answers.

Innovative Marketing (1971) Limited together with the Task Force determined the objectives of this study. Once these objectives were defined it became possible to develop the methodology by which the answers could be obtained.

Accordingly, it is suggested that the reader review the objectives set out on the following pages with great care before he attempts to analyze the report - it is only when the questions are fully understood that the answers are meaningful.

It should also be pointed out at this time that the Highlights of the Results contained in Section IB and the Results which are contained in Section VI C. follow the same format as that contained in this section.

The objectives are divided into two subsections; namely,

- A. Overview - The Racing Industry; and
- B. Analysis - Components of the Racing Industry.

A. Overview - The Racing Industry

1. To estimate the present total race handle with respect to the major race tracks.
2. To estimate the handle of the Government Off Track Betting Systems with respect to the major race tracks.
3. To estimate the total race handle with respect to the major race tracks as it will be in the future.

B. Analysis - Components of the Racing Industry

1. Major Race Tracks

- (a) To estimate the effect of the messenger services and the Government Off Track Betting Systems on the major race tracks' handle and usage.
- (b) To estimate the effect of the Government Off Track Betting Systems on the major race tracks over time.

2. Messenger Services

- (a) To estimate the handle and usage of the messenger services with respect to the major race tracks and the demographic profile of the messenger service customers.

3. Bookmakers

- (a) To estimate the handle and usage of bookmakers with respect to the major race tracks and the demographic profile of the bookmaker customer.
- (b) To estimate the effect of the messenger services and the Government Off Track Betting Systems on the bookmakers' handle and usage.
- (c) To estimate the effect of the Government Off Track Betting Systems on the bookmakers over time with respect to the major race tracks.

4. Government Off Track Betting Systems

- (a) To estimate the handle and usage of the Government Off Track Betting Systems with respect to the major race tracks and the demographic profile of the Government Off Track Betting System customer.
- (b) To estimate the composition of the Government Off Track Betting System handle.
- (c) To determine whether the Government Off Track Betting System can compete with the bookmakers.
- (d) To determine whether it is feasible to attract those respondents who indicated that they would never use the Government Off Track Betting Systems.

- (e) To determine whether delaying payoff until the next day would likely affect the handle and usage of the Government Off Track Betting Systems.
- (f) To analyze the various Government Off Track Betting Systems.
- (g) To obtain operational data to assist in the implementation of the Government Off Track Betting Systems; namely, a breakdown of use
 - (i) between week and weekend;
 - (ii) into hours of day;
 - (iii) into preferred location.

V METHODOLOGY

In Section IV it was stated that once the objectives were defined it became possible to develop the methodology by which the answers could be obtained. The methodology is therefore the "tools of the trade" - the means by which the objectives are satisfied.

For this study use was made of

- (a) a group interview;
- (b) a General Population Survey conducted by telephone; and
- (c) a General Bettor Survey completed at the homes of the respondents.

A more detailed examination of the methodology follows.

A. Group Interviews

Group interviews were conducted

- (a) to understand the parameters of the subject matter of the study; and
- (b) to provide direction for the development of the General Bettor Survey Questionnaire.

Five group interviews were originally planned; however, only one group interview was conducted

- (a) because of the difficulty experienced in recruiting participants for these groups; and
- (b) because no new input resulted from the one group which was conducted.

See Appendix 1 for a report of the results of the group interview which was conducted.

B. Surveys

The following two types of surveys were conducted:

1. General Population Survey

Telephone surveys of households in the following Ontario

cities were conducted amongst men and women:

- | | | |
|-----|------------------|------------------|
| (a) | Toronto | 8,186 interviews |
| (b) | Kingston | 3,006 interviews |
| (c) | Sault Ste. Marie | 3,777 interviews |
| (d) | Thunder Bay | 3,354 interviews |

See Appendix 2 for copies of the questionnaires used.

Block sampling techniques were used to select the samples. These surveys were conducted to:

- (a) obtain the names of bettors for the General Bettor Survey; and
- (b) ascertain the proportion of the population in these cities that has an active interest in horse races in order to be able to extend the results of the General Bettor Survey to the whole Province.

Note: A great degree of difficulty obtaining at home interviews was experienced

- (a) in Sault Ste. Marie and accordingly 3,354 telephone surveys were conducted in Thunder Bay, the results of which were combined with those of Sault Ste. Marie; and

- (b) in Toronto and accordingly an additional telephone survey was undertaken (the first telephone survey was of 3,889 people and the second was of 4,297 people).

These additional telephone surveys were undertaken in order to increase the sample size of the General Bettor Survey.

2. General Bettor Survey

Each individual who was identified in the General Population Survey as having an active interest in horse races was approached at his home and asked to participate in a personal interview. These interviews were conducted to obtain information on bettor historical behaviour and bettor predictive behaviour. In Toronto, 250 interviews were conducted, in Kingston, 122 interviews were conducted and in Sault Ste. Marie - Thunder Bay, 133 interviews were conducted (the results of Sault Ste. Marie and Thunder Bay were combined).

See Appendix 3 for a discussion of Interviewer Control Procedures. See Appendix 4 for copies of the questionnaires used.

Note:

- (a) It was decided not to survey those without an active interest in horse races as part of this study. It was concluded that as they have no recent

betting experience to use as a benchmark, predictive research would be too unreliable. It is suggested, therefore, that, as it is desirable to attempt to estimate the handle from those without an active interest in horse races for the Government Off Track Betting System, the experience of other jurisdictions should be used.

- (b) Because a great degree of difficulty obtaining at home interviews was experienced in Sault Ste. Marie, the questionnaire was shortened and some of the questionnaires were administered by telephone. In addition, a similar questionnaire was administered in Thunder Bay by telephone to augment the Sault Ste. Marie results. All questionnaires were conformed to a standard format for tabulation purposes.
- (c) Because a low response rate to the General Bettor Survey was experienced in Toronto, inducements of \$1 and \$2 were offered to a small sample of potential respondents, but this proved to be no help. Accordingly, this practice was not continued. Eventually a Government letter was used in all cities to help increase the response rate (See Appendix 7, Government Letters).

C. Ancillary Data

In Section VII of this report, there is contained an analysis of ancillary research which, although not an

integral part of this study, should prove helpful to the Task Force. A discussion of the methodology related to these other matters is deferred to Section VII.

VI. FINDINGS

It is the findings section of a report which commands the greatest attention - the findings contain the "answers" to the objectives. The findings are divided into three subsections - Introduction, Assumptions and Results. There follows a brief summary of the contents of each subsection.

A. Introduction

In this subsection the reader is referred to Appendix 5 and Appendix 6 and asked to read these Appendices prior to his studying the results. He is advised that all results should be interpreted subject to those matters discussed in Appendices 5 and 6.

Appendix 5 entitled Reliability, Validity and Statistical Considerations discusses those matters inherent in this study which might restrict the reliability, validity and statistical significance of the results. In this regard it discusses the following items:

1. Sample Size - A review of the fact that the limited sample size of the General Better Survey makes the results primarily indicative of a "trend" only;
2. Skewed Sample Possibility - A review of the fact that the high refusal rate experienced in the General Better Survey might mean that the sample is somewhat skewed.

3. Government Letter - A review of the possible biases that use of the Government letter might cause and the fact that it is unlikely that these biases occurred.
4. Willingness of Respondents to Accurately Quantify Betting Behaviour - A review of the possibility that respondents may be unwilling to accurately quantify betting behaviour and the fact that it is unlikely that such an unwillingness occurred.
5. Ability of Respondents to Accurately Quantify Betting Behaviour - A review of the possibility that respondents cannot accurately quantify betting behaviour, and the conclusion that, with proper probing techniques, respondents can estimate betting behaviour.
6. Predictive Research - A review of the frailties inherent in predictive research and the steps taken to overcome these frailties.
7. Length of the General Bettor Survey Questionnaire - A review of the frailties inherent in a lengthy questionnaire such as the General Bettor Survey Questionnaire.
8. Disposable Income Syndrome - A review of the fact that an individual will often be unrealistic on the upside in his assessment of the amount of money he has available as disposable income and the steps taken to minimize such potential overstatements.

Appendix 6 entitled Conditions discusses a series of conditions (some based on assumptions and some based on

fact) upon which the findings are based. The following conditions are discussed in Appendix 6:

1. Northern Ontario region - A review of the changes that were made to the General Bettor Survey in the Northern Ontario region and the reasons for these changes.
2. Definitely and Maybe Division - A review of the respective weights given in this study to "definitely" and "maybe" intentions expressed by respondents regarding their likelihood of using the Government Off Track Betting Systems.
3. Non Bettors - A review of the fact that the results relate only to those who currently have an active interest in horse races and the fact that it is expected that some of those who do not currently have an active interest in horse races will also use the Government Off Track Betting Systems.
4. Consumer Awareness - A review of the fact that the results are based upon a high degree of expected consumer awareness.
5. Location of Facilities - A review of the fact that the results are based upon a Government Off Track Betting System conveniently located to the entire adult population of the Province.
6. Adjustment to Questionnaire - A review of the fact that an error which appears in the General Bettor Survey Questionnaire was corrected when the results were prepared.

7. Bookmaker Handle- A review of the fact that in order to qualify for our study a bookmaker customer had to bet at least horses with a bookmaker - individuals who bet only sports other than horses with a bookmaker did not qualify.
8. Editing and Coding of Questionnaires- A review of the procedure used.
9. Detailed Tables- A review of the format of the Detailed Tables.
10. Respondents Who Did Not State a Response - A review of the fact that some of the Detailed Tables do not indicate that some respondents did not answer that particular question.
11. Apparent Inconsistencies- A review of the reason that some of the Detailed Tables appear to be inconsistent.
12. Interviews of Non Bettors- A review of the fact that some of the interviews in the General Bettor Survey were completed with non bettors and, although these interviews are available, they were not included in the results.
13. Economic Adjustments- A review of the fact that the effect of messenger services on a respondents' betting behaviour might be misstated because no factor was built in for economic changes.
14. Findings- A review of the fact that only the most significant data was analyzed in the results and that

the Index of Detailed Tables (Appendix 16) and the Detailed Tables (Appendix 13) should be reviewed in order to obtain data with respect to those Detailed Tables which were not analyzed.

15. Effect of the Government Off Track Betting Systems On the Handle and Usage of the Major Race Tracks - Northern Ontario Region - A review of the fact that it was assumed that few residents of the Northern Ontario region attend the major race tracks and accordingly the Government Off Track Betting Systems will have an insignificant effect on the handle and usage of the major race tracks from residents of the Northern Ontario region.
16. Race Track Handle and Messenger Service Handle - A review of the fact that there is actually approximately 190 million dollars currently reaching the pari-mutuel pools of the major race tracks from residents of Ontario. The assumption was made that of this 190 million dollars:
 - (a) 180 million dollars is bet directly at the major race track by residents of Ontario; and
 - (b) 10 million dollars comes from the messenger services (i.e. of all of the money bet by residents of Ontario with the messenger services, 10 million dollars actually gets transported to the pari-mutuel windows of the major race tracks).

It is stated elsewhere in this report that this figure of 10 million dollars is an assumption only and was made in order to make possible the calculation of the projection

factors. Indeed, if this assumption is correct, the messenger services have had no effect on the handle of the major race tracks since the estimate in this report is that messenger services have reduced the amount bet directly at the major race tracks by 10 million dollars.

Furthermore, if this assumption is low the handle of the major race tracks might have increased as a result of the messenger services. This is possible when one considers that:

- (a) the messenger services generated new money into the system as they satisfied a consumer demand for off track betting facilities; and
- (b) the messenger services took a significant amount of the bookmaker handle.

No attempt was made in this study to assess what percentage of the messenger services' handle actually reaches the major race tracks.

B. Assumptions

In this subsection the following items are discussed:

1. Government Off Track Betting Systems

There is contained a description of the five alternative Government Off Track Betting Systems which are analyzed in this report.

2. Projections of Surveys

In this report surveys were conducted in (i) Metropolitan Toronto, (ii) Kingston and (iii), Sault Ste. Marie and Thunder Bay. The results of these surveys were then projected to the Metropolitan Toronto, Southern Ontario and Northern Ontario regions respectively which regions comprise the entire Province. Described in this subsection are:

- (a) the reasons for the division of the Province into these three regions;
- (b) the projection technique used; and
- (c) the projection factors used.

3. Maximum Shop and Maximum Combined System

It was stated above that this study examines five alternative systems. It was decided, however, that two of these systems, the Maximum Shop and the Maximum Combined System, should not be analyzed and the reasons for this decision are described in this subsection.

C. Results

This subsection answers the questions which were presented in Section IV entitled Objectives and follows the same format as that Section.

Accordingly, the reader should, prior to studying these results, again review the objectives, i.e. the questions to which he will now read the answers.

As stated earlier, the findings which follow are divided into three subsections:

- A. Introductions;
- B. Assumptions; and
- C. Results.

A. Introduction

Reference should be made to

- (a) Appendix 5 - Reliability, Validity and Statistical Considerations; and
- (b) Appendix 6 - Conditions

prior to studying the following results. All results should be interpreted subject to those matters discussed in Appendices 5 and 6.

B. Assumptions

The results discussed below are based upon the following assumptions:

1. Government Off Track Betting Systems

In this report five different Government Off Track Betting Systems are examined; i.e. respondents were requested to predict their betting behaviour with respect to five alternative systems:

- (a) an Off Track Betting Shop without up to the minute odds ("minimum shop")
- (b) an Off Track Betting Shop with up to the minute odds ("maximum shop")

- (c) a telephone system ("telephone system")
- (d) an Off Track Betting Shop without up to the minute odds and a telephone system ("minimum combined system")
- (e) an Off Track Betting Shop with up to the minute odds and a telephone system ("maximum combined system")

Reference should be made to the General Bettor Survey Questionnaires (see Appendix 4) where on page 17 the minimum shop is described (the maximum shop differs only in that up to the minute odds are available) and on page 26 the telephone system is described. See also page 31 for a description of the minimum shop and telephone system.

Note:

Each respondent was also asked whether the removal of a payoff to winners immediately after each race would affect his betting behaviour. The responses are not quantified, but are broken down into the number of respondents answering the following categories:

- (a) I would bet fewer days;
- (b) I would bet fewer races;
- (c) I would bet lesser amounts each race.

2. Projections of Surveys

(a) Geographic Regions

Ontario was divided into three geographic regions:

(i) Metropolitan Toronto Region

Metropolitan Toronto was selected as one region because of its unique proximity to Greenwood and Woodbine race tracks, its population density, and its vast array of competing forms of entertainment which it offers to its inhabitants. A survey was conducted in Metropolitan Toronto which survey is, of course, representative of the Metropolitan Toronto region. The results of the Metropolitan Toronto survey were therefore projected to the entire region.

(ii) Southern Ontario Region

All population concentrations within the Southern Ontario region are within 50 miles of an "A" class race track and/or within 30 miles of a "B" class race track. In addition, most population concentrations are not more than 200 miles from Toronto and accordingly not more than 200 miles from at least some of the major race tracks. A survey was conducted in Kingston which survey is representative of the Southern Ontario region. The results of the Kingston survey were therefore projected to the entire region.

(iii) Northern Ontario Region

All population concentrations within the Northern Ontario region are greater than 50 miles from any significant "A" or "B" class race track in Ontario. In addition, most of the population concentrations are more than 200 miles from all of the major race tracks. Surveys were conducted in Sault Ste. Marie and Thunder Bay which surveys are representative of the Northern Ontario region. The combined results of the Sault Ste. Marie and Thunder Bay surveys were therefore projected to the entire region.

Note:

- (a) See Appendix 9 for a listing of all "A" and "B" class race tracks.
- (b) See Appendix 10 for a map of Ontario divided into the three geographic regions referred to above; namely, the Metropolitan Toronto region, the Southern Ontario region, and the Northern Ontario region.

(b) Projection Technique

The results of the surveys in (i) Metropolitan Toronto, (ii) Kingston, and (iii) Sault Ste. Marie and Thunder Bay were used to obtain projected figures for the Metropolitan Toronto, the Southern Ontario and the Northern Ontario regions respectively.

Projection factors were therefore established for each region, which factors were applied to the results of the surveys in order to obtain the projected figures.

(c) Projection Factors

(i) Metropolitan Toronto Region

In the Metropolitan Toronto region only one projection factor was used for all the tables; namely, 286.2 (this factor was arrived at by having regard to the entire population of the Metropolitan Toronto region).

(ii) Southern Ontario Region

In the Southern Ontario region three different projection factors were used; namely,

- (1) 636.4 was used with respect to those tables which deal with current messenger services (this factor was arrived at by having regard only to those population concentrations in the Southern Ontario region which currently have messenger services);
- (2) 22.4 was used with respect to those tables which deal with other tracks, which tables are analyzed in Section VII, (a), (ii) (this factor was arrived at by having regard only to the population of Kingston); and

- (3) 1748.2 was used with respect to all other tables (this factor was arrived at by having regard to the entire population of the Southern Ontario region).

(iii) Northern Ontario Region

In the Northern Ontario region two different projection factors were used; namely,

- (1) 24.7 was used with respect to those tables which deal with other tracks, which tables are analyzed in Section VII, (a), (ii) (this factor was arrived at by having regard only to the populations of Sault Ste. Marie and Thunder Bay); and
- (2) 111.7 was used with respect to all other tables (this factor was arrived at by having regard to the entire population of the Northern Ontario region).

See Appendix 11 for a discussion of the calculation of the projection factors.

3. Maximum Shop and Maximum Combined System

It was already stated above that the maximum Government Off Track Betting Systems differ from the minimum Government Off Track Betting Systems only in that with respect to the former the customer at the shop would be provided with up to the minute odds. It is believed that such a maximum system is not feasible at the present time for the following reasons:

- (a) A very costly on line computer system is required which simultaneously transfers bet information to the government central computer and the race track;
- (b) It encourages a large percentage of bettors to wager less than three minutes to post which will result in:
 - (i) long queues immediately before race time which means
 - faster equipment is needed to handle peak queues;
 - larger shops are required to accommodate greater numbers of people at peak times;
 - congestion will result within the shop; and
 - added pressures will burden shop clerks.

- (ii) the encouragement of people to loiter in the shops.
- (c) If up to the minute odds are added to the Government Off Track Betting Systems an important advantage to those who attend the race track will be removed, and this may not be desirable.
- (d) This study indicates that the addition of up to the minute odds to the shop will increase the handle of
- (i) the minimum shop by 23.1 million dollars or 22.0%; and
- (ii) the minimum combined system by 15.7 million dollars or 11.0%.

It is believed that this incremental revenue will be offset by the incremental cost involved in providing up to the minute odds together with the other disadvantages discussed above. It should be further stressed that the incremental revenue is probably inflated. In order to take advantage of the up to the minute odds feature it is necessary for a bettor to be present at the shop immediately before each race. It is expected that a very small percentage of bettors will be able to avail themselves of such a luxury; however, it is also expected that those respondents who indicated that up to the minute odds would lead them to use the

TABLE 1

TOTAL RACE HANDLE - PRESENT

\$ Million

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>	<u>Total</u>
Amount bet directly at major race tracks	109.8	70.1	0	179.9
Amount bet through bookmakers	17.4	7.6	1.3	26.3
Amount bet at the messenger service	<u>35.0</u>	<u>8.2</u>	<u>0</u>	<u>43.2</u>
TOTAL RACE HANDLE	162.2	85.9	1.3	249.4

shops, whereas they would not otherwise use the shops, were probably not aware of this factor.

Conclusion

It is believed that the provision of up to the minute odds is not currently an alternative to the Task Force. Accordingly, no further analysis of the maximum shop and maximum combined system, beyond that given above, is contained in this report.

C. Results

1. Overview - The Racing Industry

(a) Total Race Handle - Present

Table 1 (opposite page) indicates that the total race handle (i.e. the total number of dollars wagered, both on track and off track, on horses running at the major race tracks) is 249.4 million dollars.

The following conclusions can be drawn from Table 1:

- (i) The largest percentage (65%) of the total race handle comes from the Metropolitan Toronto region while 34.4% comes from the Southern Ontario region and only .5% comes from the Northern Ontario region. Thus there appears to be a significant interest in both the Metropolitan Toronto region and the Southern Ontario region in placing bets

TABLE 2

TOTAL EXPECTED GOVERNMENT OFF TRACK
BETTING SYSTEM HANDLE FOR ONTARIO

\$ Million

<u>MINIMUM SHOP</u>	<u>Handle</u>	<u>%</u>
Metropolitan Toronto region	70.7	67.2
Southern Ontario region	27.8	26.5
Northern Ontario region	<u>6.6</u>	<u>6.3</u>
Total Handle	105.1	100.0

TELEPHONE SYSTEM

Metropolitan Toronto region	52.8	60.6
Southern Ontario region	32.5	37.4
Northern Ontario region	<u>1.7</u>	<u>2.0</u>
Total Handle	87.0	100.0

MINIMUM COMBINED SYSTEM

Metropolitan Toronto region	92.5	65.7
Southern Ontario region	42.7	30.3
Northern Ontario region	<u>5.6</u>	<u>4.0</u>
Total Handle	140.8	100.0

on horses running at the major race tracks while there is a very low level of interest in the Northern Ontario region. Accordingly, the Northern Ontario region should be approached with great caution in the initial stages of implementing the Government Off Track Betting Systems.

- (ii) 27.9% of the total race handle of 249.4 million dollars is wagered at an off track betting facility (17.4% is wagered at the messenger services and 10.5% is wagered through bookmakers). This indicates that a significant consumer demand for off track betting facilities presently exists and that a significant portion of that demand is being satisfied by bookmakers.

(b) Government Off Track Betting System Handle

Table 2 (opposite page) indicates that the Government Off Track Betting System handle with respect to the major race tracks is expected to be:

Minimum Shop	105.1 million dollars
Telephone System	87.0 million dollars
Minimum Combined System	140.8 million dollars

The following conclusions can be drawn from Table 2:

- (i) The Government Off Track Betting Systems will attract a handle of significant size in Ontario;

TABLE 3
TOTAL RACE HANDLE - FUTURE
 \$ Million

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>	<u>Total</u>
<u>MINIMUM SHOP</u>				
Race track handle	105.8	70.1	0	175.9
Bookmaker handle	12.6	5.4	.8	18.8
Minimum Shop handle	<u>70.7</u>	<u>27.8</u>	<u>6.6</u>	<u>105.1</u>
Total Race Handle	189.1	103.3	7.4	299.8

TELEPHONE SYSTEM

Race track handle	106.7	69.7	0	176.4
Bookmaker handle	13.9	5.4	1.3	20.6
Telephone System handle	<u>52.8</u>	<u>32.5</u>	<u>1.7</u>	<u>87.0</u>
Total Race Handle	173.4	107.6	3.0	284.0

MINIMUM COMBINED SYSTEM

Race track handle	102.7	69.7	0	172.4
Bookmaker handle	8.9	5.4	.8	15.1
Minimum Combined System handle	<u>92.5</u>	<u>42.7</u>	<u>5.6</u>	<u>140.8</u>
Total Race Handle	204.1	117.8	6.4	328.3

(ii) The minimum combined system will attract a handle significantly larger than the telephone system and the minimum shop. However, greater investment and operating costs are associated with the minimum combined system and these, of course, must be compared to the incremental gross revenue generated.

(iii) In the minimum combined system 65.7% of the handle comes from the Metropolitan Toronto region while 30.3% and 4.0% come from the Southern Ontario and Northern Ontario regions respectively. These results are consistent with Table 1 from which conclusions were drawn regarding levels of interest in the three regions. Again it is stressed that the Northern Ontario region be approached initially with extreme caution.

(c) Total Race Handle - Future

Table 3 (opposite page) indicates that the total race handle (i.e. the total number of dollars wagered both on track and off track, on horses running at the major race tracks) is expected to be:

Minimum Shop	299.8 million dollars
Telephone System	284.0 million dollars
Minimum Combined System	328.3 million dollars

The following conclusions can be drawn from Table 3 (all references are to the minimum combined system - similar conclusions can also be drawn with respect to the other Government Off Track Betting Systems).

- (i) 62.2% of the total race handle comes from the Metropolitan Toronto region while 35.9% and 1.9% come from the Southern Ontario and Northern Ontario regions respectively. Again, the earlier conclusion regarding a significant interest in the Metropolitan Toronto and Southern Ontario regions and a low interest in the Northern Ontario region is confirmed.
- (ii) 47.5% of the total race handle of 328.3 million dollars will be wagered at an off track betting facility. (42.9% will be wagered at the Minimum Combined System and only 4.6% will be wagered through bookmakers). This again points out that there is a significant consumer demand for off track betting facilities and furthermore that there is a significant demand for a Government Off Track Betting System given:
 - (a) the increase in total race handle (which represents new dollars bet) from the present total race handle of 249.4 to 328.3 million dollars; and
 - (b) the reduction in the percentage of the total race handle wagered through bookmakers from 10.5% currently to 4.6% under the minimum combined system.

TABLE 4

EFFECT OF MESSENGER SERVICES AND GOVERNMENT OFF
TRACK BETTING SYSTEMS ON MAJOR RACE TRACKS' HANDLE

\$ Million

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>	<u>Total</u>
<u>MINIMUM SHOP</u>				
Effect of Messenger Services	(10.4)	.4	0	(10.0)
Effect of Minimum Shop	<u>(4.0)</u>	<u>0</u>	<u>0</u>	<u>(4.0)</u>
Total	(14.4)	.4	0	(14.0)
<u>TELEPHONE SYSTEM</u>				
Effect of Messenger Services	(10.4)	.4	0	(10.0)
Effect of Telephone System	<u>(3.1)</u>	<u>(.4)</u>	<u>0</u>	<u>(3.5)</u>
Total	(13.5)	0	0	(13.5)
<u>MINIMUM COMBINED SYSTEM</u>				
Effect of Messenger Services	(10.4)	.4	0	(10.0)
Effect of Minimum Combined System	<u>(7.1)</u>	<u>(.4)</u>	<u>0</u>	<u>(7.5)</u>
Total	(17.5)	0	0	(17.5)

Note:

() indicates a reduction in handle.

2. Analysis - Components of the Racing Industry

(a) Race Tracks

(i) Effect of the Messenger Services and the Government Off Track Betting Systems on Major Race Tracks' Handle

Table 4 (opposite page) indicates that the messenger services have reduced the amount bet directly at the major race tracks per season by approximately ten million dollars.

Each respondent to the General Bettor Survey who bets with the messenger service was asked to estimate the amount of money he used to bet directly at the major race tracks before he started to use the messenger service. He was also asked the amount he now bets directly at the major race tracks. It is estimated that the messenger services have reduced the amount bet directly at the major race tracks by 10 million dollars annually. (It should be emphasized that this figure of 10 million dollars represents the reduction in handle bet directly at the major race tracks. However, if one assumes that a portion of the messenger service handle is transported to the major race tracks by the messenger services then the reduction in the handle of the major race tracks caused by the messenger services is, of course, much less than 10 million dollars. It is beyond the ambit of this report to estimate what percentage of the messenger service handle actually reaches the major race tracks).

The following conclusions can be drawn from Table 4:

- (1) Should the Government Off Track Betting System be implemented the annual handle bet directly at the major race tracks will be reduced by:*

Minimum Shop	14.0 million dollars
--------------	----------------------

Telephone System	13.5 million dollars
------------------	----------------------

Minimum Combined System	17.5 million dollars
-------------------------	----------------------

- (2) The Metropolitan Toronto region accounts for all of the above reduction in handle of the major race tracks - there will be little reduction in handle from residents of the Southern Ontario and Northern Ontario regions (it was assumed that no one from the Northern Ontario region attends the major race tracks).

In order to assess the total effect on the handle of the major race tracks of the Government Off Track Betting System it is necessary to consider the reduction in usage which accompanies the handle reduction. The race tracks receive a large portion of their revenue from admissions, parking, concessions, programs and forms. Therefore, reduction in usage will also reduce these other sources of revenue. A discussion of the reduction in usage follows from which the Task Force will be able to estimate these additional losses in revenue.

* See footnote page 75.

TABLE 5

EFFECT OF MESSENGER SERVICES AND GOVERNMENT OFF
TRACK BETTING SYSTEMS ON MAJOR RACE TRACKS' USAGE

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>	<u>Total</u>
<u>MINIMUM SHOP</u>				
Effect of Messenger Services	(99,014)	(3,250)	0	(102,264)
Effect of Minimum Shop	<u>(36,616)</u>	<u>0</u>	<u>0</u>	<u>(36,616)</u>
Total	(135,630)	(3,250)	0	(138,880)
<u>TELEPHONE SYSTEM</u>				
Effect of Messenger Services	(99,014)	(3,250)	0	(102,264)
Effect of Telephone System	<u>(44,367)</u>	<u>1,768</u>	<u>0</u>	<u>(42,599)</u>
Total	(143,381)	(1,482)	0	(144,863)
<u>MINIMUM COMBINED SYSTEM</u>				
Effect of Messenger Services	(99,014)	(3,250)	0	(102,264)
Effect of Minimum Combined System	<u>(73,253)</u>	<u>1,768</u>	<u>0</u>	<u>(71,485)</u>
Total	(172,267)	(1,482)	0	(173,749)

Note:

- (a) () indicates a reduction in usage.
 (b) the figures represent people days.

(ii) Effect of the Messenger Services and the Government Off Track Betting Systems on Major Race Tracks' Usage

Table 5 (opposite page) indicates that the messenger services have reduced the major race tracks' usage per season by approximately 102,264 people days. This is the usage reduction which the major race tracks have already suffered as a result of the operation of the messenger services.

Table 5 further indicates that should the Government Off Track Betting Systems be implemented the major race tracks' usage will be further reduced by *

Minimum Shop	36,616 people days
Telephone System	42,599 people days
Minimum Combined System	71,485 people days

Thus, in order to assess the total per season effect that the Government Off Track Betting System will have on the usage of the major race tracks it is necessary to sum the effect of the messenger services and the effect of the Government Off Track Betting System. This cumulative effect, as shown in Table 5, will be:

Minimum Shop	138,880 people days
Telephone System	144,863 people days
Minimum Combined System	173,749 people days

* See footnote page 75

The following conclusions can be drawn from Table 5:

- (1) Should the Government Off Track Betting System be implemented the annual usage of the major race tracks will be reduced by:*

Minimum Shop	138,880 people days
Telephone System	144,863 people days
Minimum Combined System	173,749 people days

- (2) The Metropolitan Toronto region accounts for almost all of the above reduction in usage of the major race tracks - there will be an insignificant reduction in usage from residents of the Southern Ontario and Northern Ontario regions (it was assumed that no one from the Northern Ontario region attends the major race tracks).

As stated above, this reduction in usage will result in a reduction in revenues to the race tracks from admissions, parking, concession, programs and forms. An estimate of these revenue reductions will have to be made and added to the handle reductions discussed above in order to be able to assess the total financial impact that the Government Off Track Betting Systems will have on the major race tracks.

* -All figures assume a high degree of public awareness consistent with a mature Government Off Track Betting System.

(iii) The Future of the Major Race Tracks

It appears that the future existence of the major race tracks will not be jeopardized by the Government Off Track Betting Systems over time. Respondents indicated the following reasons for going to the race track (see Detailed Table 109 in the Metropolitan Toronto and Southern Ontario regions. All Detailed Tables appear in Appendix 13):

	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>
1. Like to see horses run	43.8%	58.0%
2. Like to bet	16.3%	17.9%
3. Like the chance to win a lot of money	12.4%	12.5%
4. Like to handicap	12.5%	6.2%
5. Like to socialize	15.0%	5.3%

Only 28.7% of respondents in the Metropolitan Toronto region and 30.4% of respondents in the Southern Ontario region are interested primarily in betting and can satisfy this interest at the Government Off Track Betting System. However, the remainder of respondents must attend the race track to fully satisfy their primary interest (i.e. watching the horses run, handicapping the horses and socializing). Therefore, as long as the Government Off Track Betting Systems do not televise the races or create a socializing atmosphere (i.e. by setting up a bar and comfortable facilities within the Off Track Betting Shops)

the greater percentage of individuals with an active interest in horse races must attend the race track to satisfy their primary interest.

Results of other questions throughout the questionnaire substantiate the above conclusion that a significant percentage of individuals with an active interest in horse races will continue to attend the major race tracks. For example, the following results were received:

- (1) 64.4% of respondents who do not use the messenger services in the Metropolitan Toronto region and 68.8% of respondents who do not use the messenger services in the Southern Ontario region, do not use the messenger services because they like to see the horses run (see Detailed Tables 19 in the Metropolitan Toronto and Southern Ontario regions).

- (2) Some of the reasons given by the respondents regarding why they would never use the minimum shop are: (see Detailed Tables 48 in Metropolitan Toronto and Southern Ontario regions and Detailed Table 17 in the Northern Ontario region)

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
Do not like to bet without seeing the horses	64.0%	65.0%	53.8%
Like the enjoyment of seeing the horses	21.3%	12.1%	53.8%
Want to know the odds before they bet	16.9%	19.0%	0

- (3) 30.6% of respondents who would never use the telephone system in the Metropolitan Toronto region; 21.9% of respondents who would never use the telephone system in the Southern Ontario region; and 31.3% of respondents who would never use the telephone system in the Northern Ontario region, would never use the telephone system because they like the enjoyment of seeing the horses (see Detailed Tables 49 in the Metropolitan Toronto and Southern Ontario regions and Detailed Table 29 in the Northern Ontario region).

- (4) One of the main reasons given by respondents regarding why they would use the minimum shop is that it would be convenient if they could not go to the race track (77.9% in the Metropolitan Toronto region and 60.0% in the Southern Ontario region - see Detailed Table 37 in the Metropolitan Toronto and Southern Ontario regions).

Therefore, to a significant percentage of respondents, the Government Off Track Betting System is viewed as a secondary betting channel to be used only when they cannot attend the race track. The race track is still their primary betting channel.

- (5) Many respondents indicated that they do not like to bet unless they know the up to the minute odds and/or can watch the pattern of changes in the odds in order to determine if a large amount of money has been placed on a particular horse at one particular time. These people tend to bet less than three minutes to post and break down as follows: (see Detailed Tables 17 and 18 in the Metropolitan Toronto and Southern Ontario regions)

25.9% of Thoroughbred bettors and 27.8% of Harness bettors in the Metropolitan Toronto region; and

31.0% of Thoroughbred bettors and 29.7% of Harness bettors in the Southern Ontario region

bet less than three minutes to post. Of those who bet less than three minutes to post, the following reasons were given:

71.4% of the Thoroughbred bettors and 70% of the Harness bettors in the Metropolitan Toronto region; and

66.7% of the Thoroughbred bettors and 74.1% of the Harness bettors in the Southern Ontario region

like to watch the odds; and

51% of the Thoroughbred bettors and 50% of the Harness bettors in the Metropolitan Toronto region; and

44.4% of the Thoroughbred bettors and 29.6% of the Harness bettors in the Southern Ontario region

like to see if a lot of money is placed on one particular horse at one time.

Therefore, for these people attendance at the track is mandatory since the Government

Off Track Betting Systems will not provide the information necessary for them to make betting decisions.

The pattern is therefore clearly established - a very significant percentage of trackgoers will not substitute a Government Off Track Betting System for the "real thing". The success of the Government Off Track Betting System will result from the fact that it will satisfy the present strong consumer demand for a legal, reliable off track betting facility (as evidenced by the "new money" which it will generate and the considerable transfer of betting from bookmakers to the Government Off Track Betting System, both of which are discussed earlier in this report). Its success is not dependent upon a transfer of betting from direct wagering at the major race tracks to wagering at the Government Off Track Betting System (only 20%, approximately, of the Government Off Track Betting System handle will represent monies which previously were bet directly at the major race tracks - this is discussed in further detail below under the heading Composition of Government Off Track Betting System Handle).

There is a further very important factor which must be considered when one assesses the future of the major race tracks.

There is a possibility that within a short period of time the handle and usage of the major race

tracks will increase. Current non bettors who become Government Off Track Betting System customers have a high probability of attending the race tracks. Their curiosity about racing, and horses, which will be initiated by the Government Off Track Betting System, will encourage them to attend the race track. The excitement of watching the horses run and the enjoyment of a stimulating social environment provided by the race tracks will be positive motivators for a segment of these new bettors to return to the track. The number of new bettors will depend upon the extent that the Government is prepared to advertise and promote its System. The experience of other jurisdictions (e.g. New York City) should be used to estimate the number of new bettors who will develop as a result of the Government Off Track Betting System. It is then reasonable to assume that a significant percentage of those new bettors will attend the major race tracks. The onus is then on the race tracks to create the kind of environment which will create the desire in these individuals to return.

It is believed, therefore, on the basis of the foregoing, that the future of the major race tracks will not be jeopardized by the current concept of the Government Off Track Betting System.

TABLE 6

MESSENGER SERVICES - HANDLE, USAGE
AND DEMOGRAPHIC PROFILE OF CUSTOMERS

<u>HANDLE AND USAGE</u>	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>
Annual Handle	35.0 MM\$	8.2 MMS
Annual Handle/person		
Thoroughbred	\$ 1,610	\$ 913
Harness	\$ 1,606	\$ 1,567
Number of Customers		
Absolute Number	17,458	8,300
% of all bettors	24.4	10.7
Usage (number of people/days)	610,416	200,100

DEMOGRAPHIC PROFILE

Percentage of Messenger Service Customers

Male	80	93
Female	20	7
Secondary or better education	85	70
Over 31 years old	80	77
Over \$10,000 annual family income	69	23.2

(b) Messenger Services - Handle, Usage and Demographic Profile of Customers

Table 6 (opposite page) describes the handle and usage of the messenger services with respect to horses running at the major race tracks and the demographic profile of messenger services' customers. There are no messenger services in the Northern Ontario region. (See Detailed Tables 2 and 4 for the Metropolitan Toronto and Southern Ontario regions).

The following conclusions can be drawn from Table 6:

- (i) A significant percentage of bettors in the Metropolitan Toronto (24.4%) and Southern Ontario (10.7%) regions use the messenger services;
- (ii) The messenger services attract a significant annual handle (43.2 million dollars) with respect to horses running at the major race tracks. This again emphasizes the significant consumer demand for off track betting facilities (See Note 1);
- (iii) The largest percentage of messenger services' customers appears to be:
 - male;
 - over 31 years of age;
 - reasonably well educated; and
 - employed with an annual family income in the Metropolitan Toronto region of over \$10,000 and in the Southern Ontario region of over \$7,000.

Note 1

In an effort to augment the recruitment list for the group interviews 167 interviews were conducted at six messenger services in Metropolitan Toronto (see Appendices 17 and 18).

An analysis of Questions 1, 2 and 3 of the messenger services study questionnaires reveals that respondents:

- (i) attend the messenger service 3.7 times per week;
- (ii) bet 3.3 races per day;
- (iii) bet \$4.87 per race; and
- (iv) bet \$16.07 per day.

Respondents to the messenger services study were not asked how many weeks during the year they use the messenger services. However, if one were to assume that the messenger services on the average are used thirty weeks during the year the annual handle per person would be approximately \$1,800. If this assumption is correct, the results of the messenger services study substantiate the results of the General Bettor Survey summarized in Table 6. (The daily handle per person from the General Bettor Survey is higher than the daily handle per person from the messenger services study stated above. The latter appears to be more consistent with the results of studies conducted in other jurisdictions).

TABLE 7

BOOKMAKERS - HANDLE, USAGE AND
DEMOGRAPHIC PROFILE OF CUSTOMERS

<u>HANDLE AND USAGE</u>	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
Annual Handle	17.4 MM\$	7.6 MM\$	1.3 MM\$
Annual Handle/person			
Thoroughbred	\$ 1,870	\$ 655	\$ 999
Harness	\$ 1,613	\$ 145	\$ 1,000
Number of Customers			
Absolute Number	9,158	17,500	1,200
% of all bettors	12.8	8.2	8.3
Usage (number of people/days)	289,096	258,635	44,969

DEMOGRAPHIC PROFILE

Percentage of Bookmaker Customers

Male	88	90	82
Female	12	10	18
Secondary or better education	90	70	75
Over 31 years old	84	80	70
Over \$10,000 family income	72	30	44

(c) Bookmakers

(i) Handle, Usage and Demographic Profile of Customers

Table 7 (opposite page) describes the handle and usage of the bookmaker with respect to horses running at the major race tracks and the demographic profile of the bookmakers' customers. (See Detailed Tables 8 and 10 for Metropolitan Toronto and Southern Ontario regions and Detailed Tables 3 and 5 for the Northern Ontario region).

The following conclusions can be drawn from Table 7:

- (1) A significant percentage of bettors in all regions use the services of a bookmaker to bet horse races;
- (2) The bookmakers attract a significant annual handle (26.3 million dollars) with respect to horses running at the major race tracks. This again emphasizes the significant consumer demand for off track betting facilities;
- (3) The largest percentage of bookmakers' customers appear to be:
 - male;
 - over 31 years of age;
 - reasonably well educated; and
 - employed with an annual family income in the Metropolitan Toronto region of over \$10,000 and in the Southern and Northern Ontario regions of over \$7,000.

TABLE 8

EFFECT OF MESSENGER SERVICES AND GOVERNMENT
OFF TRACK BETTING SYSTEMS ON BOOKMAKERS'
HANDLE WITH RESPECT TO THE MAJOR RACE TRACKS

	\$ Million			
	Metro- politan Toronto Region	Southern Ontario Region	Northern Ontario Region	Total
<u>MINIMUM SHOP</u>				
Effect of Messenger Services	(12.7)	(5.5)	0	(18.2)
Effect of Minimum Shop	<u>(4.8)</u>	<u>(1.6)</u>	<u>(.5)</u>	<u>(6.9)</u>
Total	(17.5)	(7.1)	(.5)	(25.1)
<u>TELEPHONE SYSTEM</u>				
Effect of Messenger Services	(12.7)	(5.5)	0	(18.2)
Effect of Telephone System	<u>(3.5)</u>	<u>(2.2)</u>	<u>0</u>	<u>(5.7)</u>
Total	(16.2)	(7.7)	0	(23.9)
<u>MINIMUM COMBINED SYSTEM</u>				
Effect of Messenger Services	(12.7)	(5.5)	0	(18.2)
Effect of Minimum Combined System	<u>(8.5)</u>	<u>(2.2)</u>	<u>(.5)</u>	<u>(11.2)</u>
Total	(21.2)	(7.7)	(.5)	(29.4)

Note:

() indicates a reduction in handle.

(ii) Effect of the Messenger Services and the Government Off Track Betting Systems on Bookmakers' Handle with Respect to the Major Race Tracks

Table 8 (opposite page) indicates that the messenger services have reduced the amount bet through bookmakers on horses running at the major race tracks by approximately 18.2 million dollars per season.

Each respondent to the General Bettor Survey who bets with the messenger services was asked to estimate the amount of money he used to bet through the bookmaker on horses running at the major race tracks before he started to use the messenger services. He was also asked the amount he now bets through a bookmaker on horses running at the major race tracks. It is estimated that the messenger services have reduced the amount bet through bookmakers on horses running at the major race tracks by 18.2 million dollars annually.

Table 8 further indicates the amount by which the handle bet through bookmakers on horses running at the major race tracks will be further reduced should the Government Off Track Betting Systems be implemented.

Each respondent who stated that he would use a Government Off Track Betting System was asked to estimate the effect that this use would have on his handle bet through bookmakers on horses running at the major race tracks. It is estimated that the

handle bet through bookmakers on horses running at the major race tracks will be further reduced by

Minimum Shop	6.9 million dollars
--------------	---------------------

Telephone System	5.7 million dollars
------------------	---------------------

Minimum Combined System	11.2 million dollars
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Thus, in order to assess the total per season effect that the Government Off Track Betting System will have on the handle bet through bookmakers on horses running at the major race tracks it is necessary to sum the effect of the messenger services and the effect of the Government Off Track Betting System. This cumulative effect of the messenger services and the Government Off Track Betting Systems, as shown in Table 8 will be:

Minimum Shop	25.1 million dollars
--------------	----------------------

Telephone System	23.9 million dollars
------------------	----------------------

Minimum Combined System	29.4 million dollars
-------------------------	----------------------

The following conclusions can be drawn from Table 8:

- (1) Should the Government Off Track Betting System be implemented the annual handle of the bookmakers with respect to horses running at the major race tracks will be reduced by:

Minimum Shop	25.1 million dollars
--------------	----------------------

Telephone System	23.9 million dollars
------------------	----------------------

Minimum Combined System	29.4 million dollars
-------------------------	----------------------

- (2) The Metropolitan Toronto region accounts for the major portion (nearly 70%) of the above reduction in handle of the bookmakers while the Southern Ontario region accounts for nearly 30% and the Northern Ontario region accounts for less than 2%.

No attempt has been made in this study to assess the percentage reduction in bookmakers' handle that will result from the implementation of the Government Off Track Betting Systems because it was beyond the ambit of this study to estimate the total bookmakers' handle; i.e. in this report

- (1) only bookmaker customers who bet horses with

TABLE 9

EFFECT OF MESSENGER SERVICES AND GOVERNMENT
OFF TRACK BETTING SYSTEMS ON BOOKMAKERS'
USAGE WITH RESPECT TO THE MAJOR RACE TRACKS

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>	<u>Total</u>
<u>MINIMUM SHOP</u>				
Effect of Messenger Services	(294,219)	(59,700)	0	(353,919)
Effect of Minimum Shop	<u>(111,618)</u>	<u>(62,900)</u>	<u>(29,320)</u>	<u>(203,838)</u>
Total	(405,837)	(122,600)	(29,320)	(557,757)
<u>TELEPHONE SYSTEM</u>				
Effect of Messenger Services	(294,219)	(59,700)	0	(353,919)
Effect of Telephone System	<u>(92,058)</u>	<u>(68,200)</u>	<u>(200)</u>	<u>(160,458)</u>
Total	(368,277)	(127,900)	(200)	(514,377)
<u>MINIMUM COMBINED SYSTEM</u>				
Effect of Messenger Services	(294,219)	(59,700)	0	(353,919)
Effect of Minimum Combined System	<u>(174,018)</u>	<u>(68,200)</u>	<u>(28,931)</u>	<u>(271,149)</u>
Total	(468,237)	(127,900)	(28,931)	(625,068)

Note:

- (a) () indicates a reduction in usage.
(b) the figures represent people days.

a bookmaker were interviewed and not bookmaker customers who bet other sports only;

- (2) bookmaker customers were asked to reveal their handle with respect to the major race tracks only and not with respect to other race tracks.

Accordingly, the impact of the messenger services and the Government Off Track Betting Systems on the bookmakers' handle has been discussed only in terms of absolute dollars.

(iii)Effect of the Messenger Services and the Government Off Track Betting Systems on Bookmakers' Usage with Respect to the Major Race Tracks

Table 9 (opposite page) indicates that the messenger services have reduced the bookmakers' usage per season with respect to horses running at the major race tracks by approximately 353,919 people days. This is the usage reduction which the bookmakers have already suffered as a result of the operation of the messenger services.

Table 9 further indicates that should the Government Off Track Betting Systems be implemented the bookmakers' usage will be further reduced by

Minimum Shop	203,838 people days
Telephone System	160,458 people days
Minimum Combined System	271,149 people days

Thus, in order to assess the total per season effect that the Government Off Track Betting System will have on the usage of the bookmakers it is necessary to sum the effect of the messenger services and the effect of the Government Off Track Betting System. This cumulative effect, as shown in Table 9, will be:

Minimum Shop	557,757 people days
Telephone System	514,377 people days
Minimum Combined System	625,068 people days

The following conclusions can be drawn from Table 9:

- (1) Should the Government Off Track Betting System be implemented the annual usage of the bookmakers with respect to horses running at the major race tracks will be reduced by:

Minimum Shop	557,757 people days
Telephone System	514,377 people days
Minimum Combined System	625,068 people days

This significant reduction in bookmakers' usage which will follow the implementation of the Government Off Track Betting Systems once again emphasizes the significant current consumer demand for a Government Off Track Betting System.

- (2) The Metropolitan Toronto region accounts for approximately 75% of this reduction while the Southern Ontario and Northern Ontario regions account for approximately 22% and less than 5% respectively (these percentages vary with the different Government Off Track Betting Systems).

For the reasons stated above, reduction in usage has been stated in absolute numbers of people days and not as a percentage reduction in usage.

(iv) The Future of the Bookmaker

If one assumes that the bookmaker will not change his marketing techniques in order to improve his competitive position over the Government Off Track Betting Systems (e.g. by giving odds greater than track odds), it is believed that bookmakers will continue over time to lose horse race revenue and customers as a result of the following factors:

- (1) With the exception of the messenger services which are a very recent innovation, bettors who cannot reach the track and want to place a bet on a horse must seek the illegal services of a bookmaker. A relationship between the bookmaker and bettor develops and over time results in the creation of a loyal bookmaker customer.

Future generations of bettors will not have to seek out the bookmaker for horse race wagering. The Government Off Track Betting facilities will be conveniently located and hence the future bettor should establish his loyalties at the Government Off Track Betting System.

- (2) The bookmaker offers illegal services. Some current bettors should, to some extent, tend to reduce their associations with bookmakers given the fact that equally attractive legal facilities will be available.
- (3) Bettors feel that bookmakers provide the following services (see Detailed Table 27 in Metropolitan Toronto and Southern Ontario regions and 7 in the Northern Ontario region):

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
a) Can bet conveniently by telephone	59.5%	43.8%	37.0%
b) Can bet when cannot go to track	52.6%	65.6%	61.1%
c) Can bet other sports	44.8%	46.9%	37.0%

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
d) Can bet specialty bets such as parlays	17.2%	9.4%	13.0%
e) Can obtain credit for a short time period	13.8%	6.3%	13.0%
f) Can obtain credit for a long time period	5.2%	0	7.4%

Bettors see convenience as the most important advantage of the bookmaker (a and b above were given by 59.5% and 52.6% of respondents in the Metropolitan Toronto region and by 43.8% and 65.6% of respondents in the Southern Ontario region and by 37.0% and 61.1% of respondents in the Northern Ontario region). The Government Off Track Betting System can provide these convenience factors.

The advantage of being able to bet other sports with a bookmaker is the next most important reason expressed for using a bookmaker. However, a closer observation of betting behaviour of bookmaker customers indicates that the majority of people who bet horse races and other sports with bookmakers wager most of their money on horses

(see Detailed Tables 31 in the Metropolitan Toronto and Southern Ontario region and 11 in the Northern Ontario region). Therefore, the bookmakers' hold on these people can be weakened given that a legal, reliable alternative such as the Government Off Track Betting System becomes available. That is, it would appear that a loyalty to a bookmaker should not have been established by the greatest percentage of those who bet other sports in addition to horse racing with a bookmaker by the mere fact that the bookmaker will take bets on these other sports (this is discussed further in subparagraph 6 below).

Specialty bets (e.g. parlays) and credit appear to be the least important reasons for seeking the bookmakers' services:

- a) 17.2% and 19.0% of respondents in the Metropolitan Toronto region gave specialty bets and credit respectively as a reason for seeking the bookmakers' services
- b) 9.4% and 6.3% of respondents in the Southern Ontario region gave specialty bets and credit respectively as a reason for seeking the bookmakers' services

- c) 13.0% and 20.4% of respondents in the Northern Ontario region gave specialty bets and credit respectively as a reason for seeking the bookmakers' services.

The Government, if necessary, can run its own pari-mutuel pools for specialty bets to overcome this bookmaker competitive advantage. The demand for these specialty bets does not appear significant from the above findings and hence, the specialty bet feature is not necessary to attract bookmaker customers to the Government Off Track Betting System.

Credit facilities are features the Government is not prepared to implement currently. Hence, the bookmakers retain a competitive advantage in this area. Credit, however, appears to be relatively unimportant compared to other bookmaker services sought by bookmaker bettors. Therefore, it is not essential for the Government Off Track Betting System to be competitive in this area in order to attract bookmaker customers.

- (4) One of the reasons bettors do not feel bookmakers provide a service is that they do not pay track odds. Bookmakers traditionally have not paid winning bettors more than

15 to 1 on a straight bet or more than 50 to 1 on a daily double. Of those respondents who feel bookmakers do not provide a service:

- a) 35.6% in the Metropolitan Toronto region
- b) 18.0% in the Southern Ontario region
- c) 20.3% in the Northern Ontario region

gave not paying track odds as their reason (see Detailed Tables 28 in the Metropolitan Toronto and Southern Ontario region and 8 in the Northern Ontario region).

The Government Off Track Betting System will pay track odds and therefore will have a competitive advantage (as long as bookmakers refrain from paying track odds) over bookmakers.

- (5) Bookmaker customers contact their bookmaker by (see Detailed Tables 29 in the Metropolitan Toronto and Southern Ontario regions and 9 in the Northern Ontario region):

	<u>Metro- politan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
a) telephone	53.1%	50.0%	54.5%
b) going to a store	31.3%	20.0%	27.3%
c) being visited by a runner at work	21.9%	20.0%	0
d) being visited by a runner at home	0	10.0%	18.2%

The Government Off Track Betting Systems do not contemplate the use of runners to visit bettors at home or at work. Since personal service is the ultimate in convenience, those bookmaker customers receiving this service may be difficult to convert to the Government Off Track Betting System.

The majority of bookmaker customers, however, either use the telephone or go to a store. The Government Off Track Betting shops should be conveniently located to attract the "store segment" of the bookmaker market. The Government telephone system will also be an important incentive once the barrier to a deposit system is overcome. Of those bettors

who stated that they would never use the telephone system:

- a) 31.4% in the Metropolitan Toronto region
- b) 41.1% in the Southern Ontario region
- c) 41.8% in the Northern Ontario region

stated that they would not like to deposit money and

- a) 14.0% in the Metropolitan Toronto region
- b) 21.1% in the Southern Ontario region
- c) 22.4% in the Northern Ontario region

said that they would not like to deposit as much as \$25.00 (see Detailed Tables 49 in the Metropolitan Toronto and Southern Ontario regions and 29 in the Northern Ontario region-Multiple Answers).

- (6) The percentages of bookmakers' customers who bet other sports in addition to horse races with a bookmaker are:

- a) 69.0% in the Metropolitan Toronto region
- b) 40.0% in the Southern Ontario region

c) 46.0% in the Northern Ontario region

However, of those who bet other sports in addition to horse races with a bookmaker:

a) 69% bet at least 90% of their handle on horses while 19% bet at least 50% on other sports in the Metropolitan Toronto region (see Detailed Table 31)

b) 80% bet at least 90% of their handle on horses while 20% bet at least 40% on other sports in the Southern Ontario region (see Detailed Table 31)

c) 73% bet at least 90% of their handle on horses while 27% bet at least 50% on other sports in the Northern Ontario region (see Detailed Table 11).

Therefore, a large percentage of bookmakers' customers; namely, at least

a) 70% in the Metropolitan Toronto region

b) 80% in the Southern Ontario region

c) 73% in the Northern Ontario region

should not have a loyalty to a bookmaker merely because the bookmaker will take bets on other sports.

The following conclusions can be drawn from the foregoing:

- (1) The Government Off Track Betting Systems will provide as good as or better service to bookmakers' customers as that presently being provided by the bookmakers; namely,
 - a) Convenient shop locations and a telephone system will allow bettors who cannot go to the race track to easily place a bet;
 - b) The legality of the Government Off Track Betting System will give it a competitive advantage over the bookmaker; and
 - c) the payment of track odds by the Government Off Track Betting System will give it a competitive advantage over the bookmaker.
- (2) The bookmakers will still retain certain advantages over the Government Off Track Betting Systems; namely,
 - a) Bookmakers take bets on other sports;
 - b) Bookmakers make personal visits to their customer's homes and places of employment;
 - c) Bookmakers extend credit

- d) Bookmakers offer specialty bets; and
- e) Bookmakers will maintain a convenience advantage over the Government Off Track Betting System as the latter will require a customer to deposit money in an account prior to using the telephone system.

All of these advantages of the bookmaker have been discussed in detail above and it was concluded that none of these are significant. With respect to (e) (the deposit system) it is believed that a media program aimed at educating the public coupled with a convenient method of making the deposit will overcome the expressed reluctance of respondents to use such a system. The experience of other jurisdictions appears to substantiate this.

Thus, the Government Off Track Betting Systems appear to have certain important competitive advantages over bookmakers. Although the Government Off Track Betting System also does have some barriers, these barriers appear relatively unimportant compared to the advantages. The Government Off Track Betting System is therefore expected to attract a good number of bookmaker bettors immediately and will continue to obtain a greater market share of the bookmaker customers over time.

TABLE 10 - 1

GOVERNMENT OFF TRACK BETTING SYSTEMS - HANDLE,
USAGE AND DEMOGRAPHIC PROFILE OF CUSTOMERS

	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
<u>(i) MINIMUM SHOP</u>			
<u>HANDLE AND USAGE</u>			
Annual Handle	70.7 MM\$	27.8 MM\$	6.6 MM\$
Annual Handle/person			
Thoroughbred	\$1,793	\$ 580	\$1,086
Harness	\$1,470	\$1,495	\$ 657
Daily Handle/person			
Thoroughbred	\$ 57	\$ 22	\$ 32
Harness	\$ 49	\$ 66	\$ 17
Number of Customers			
Absolute Number	27,189	26,200	6,000
% of all bettors	38.0	12.3	40.6
Number of Days/person			
Thoroughbred	36	26	34
Harness	30	23	39
Usage (number of people/days)	1,258,315	782,355	337,032
<u>DEMOGRAPHIC PROFILE</u>			
Percentage of Minimum Shop Customers			
Male	79	94	72
Female	21	6	18
Secondary or better education	87	87	88
Over 31 years old	82	80	79
Over \$10,000 family income	71	43	43

TABLE 10 - 2

GOVERNMENT OFF TRACK BETTING SYSTEMS - HANDLE,
USAGE AND DEMOGRAPHIC PROFILE OF CUSTOMERS

	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
<u>(ii) TELEPHONE SYSTEM</u>			
<u>HANDLE AND USAGE</u>			
Annual Handle	52.8 MM\$	32.5 MM\$	1.7 MM\$
Annual Handle/person			
Thoroughbred	\$2,785	\$1,280	\$ 967
Harness	\$1,678	\$2,793	\$ 352
Daily Handle/person			
Thoroughbred	\$ 78	\$ 42	\$ 37
Harness	\$ 53	\$ 101	\$ 15
Number of Customers			
Absolute Number	16,886	21,000	2,300
% of all bettors	23.6	9.8	15.8
Number of Days/person			
Thoroughbred	36	30	26
Harness	31	28	22
Usage (number of people/days)	754,126	565,704	60,204
<u>DEMOGRAPHIC PROFILE</u>			
Percentage of Telephone System Customers			
Male	80	83	75
Female	20	17	25
Secondary or better education	86	75	83
Over 31 years old	86	75	88
Over \$10,000 family income	91	36	43

TABLE 10 - 3

GOVERNMENT OFF TRACK BETTING SYSTEMS - HANDLE,
USAGE AND DEMOGRAPHIC PROFILE OF CUSTOMERS

	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
<u>(iii) MINIMUM COMBINED</u>			
<u>SYSTEM - SHOP PORTION</u>			
<u>HANDLE AND USAGE</u>			
Annual Handle	54.7 MM\$	18.8 MM\$	4.7 MM\$
Annual Handle/person			
Thoroughbred	\$1,777	\$ 459	\$ 725
Harness	\$1,212	\$ 615	\$ 491
Daily Handle/person			
Thoroughbred	\$ 65	\$ 23	\$ 32
Harness	\$ 58	\$ 42	\$ 18
Number of Customers			
Thoroughbred	23,200	21,000	4,100
Harness	11,200	14,000	3,600
Number of Days/person			
Thoroughbred	27	20	22
Harness	21	15	28
Usage (number of people/days)	870,852	630,070	190,989
<u>DEMOGRAPHIC PROFILE</u>			
Percentage of Minimum Combined System Customers			
Male	80	87	71
Female	20	13	29
Secondary or better education	88	87	87
Over 31 years old	83	77	79
Over \$10,000 family income	71	38	44

TABLE 10 - 4

GOVERNMENT OFF TRACK BETTING SYSTEMS - HANDLE,
USAGE AND DEMOGRAPHIC PROFILE OF CUSTOMERS

	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
<u>(iii) MINIMUM COMBINED</u>			
<u>SYSTEM - TELEPHONE PORTION</u>			
<u>HANDLE AND USAGE</u>			
Annual Handle	37.8 MM\$	23.9 MM\$.9 MM\$
Annual Handle/person			
Thoroughbred	\$1,189	\$ 733	\$ 285
Harness	\$1,383	\$1,083	\$ 87
Daily Handle/person			
Thoroughbred	\$ 50	\$ 34	\$ 22
Harness	\$ 58	\$ 72	\$ 11
Number of Customers			
Thoroughbred	20,000	14,000	2,200
Harness	10,000	7,000	2,200
Number of Days/person			
Thoroughbred	24	22	13
Harness	24	15	8
Usage (number of people/days)	714,306	411,320	46,200
<u>DEMOGRAPHIC PROFILE</u>			
Percentage of Minimum Combined System Customers			
Male	80	87	71
Female	20	13	29
Secondary or better education	88	87	87
Over 31 years old	83	77	79
Over \$10,000 family income	71	38	44

TABLE 10 - 5

GOVERNMENT OFF TRACK BETTING SYSTEMS - HANDLE,
USAGE AND DEMOGRAPHIC PROFILE OF CUSTOMERS

	<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>	<u>Northern Ontario Region</u>
<u>(iii) MINIMUM COMBINED SYSTEM - TOTAL</u>			
Annual Handle	92.5 MM\$	42.7 MM\$	5.6 MM\$
Number of Customers			
Absolute Number	33,199	38,500	6,600
% of all bettors	46.4	18.0	44.4

One further point should be stressed when one discusses the future of the bookmaker. This discussion relates only to those who bet horses with the bookmaker, and accordingly the handle reductions discussed above refer only to the bookmakers' handle from horse racing. The bookmakers' horse race handle may, in fact, be only a small portion of their total handle. Therefore, although the bookmakers' horse race handle will be substantially reduced by the Government Off Track Betting Systems their revenue from other sources may continue to be enough to ensure their continued existence.

(d) Government Off Track Betting Systems

(i) Handle, Usage and Demographic Profile of Customers

Tables 10-1 to 10-5 (opposite pages) describe the handle and usage of the Government Off Track Betting Systems with respect to horses running at the major race tracks and the demographic profile of the Government Off Track Betting Systems' customers. (See Detailed Tables 32,61,34,62,35,63 and 67 for Metropolitan Toronto and Southern Ontario regions and Detailed Tables 12,41,14,42,15,43 and 47 for the Northern Ontario region).

The following conclusions can be drawn from these tables:

(1) A significant percentage of bettors in all regions stated that they would "definitely" use the Government Off Track Betting Systems. This again points out the significant consumer demand which exists for a Government Off Track Betting System.

(2) Each of the Government Off Track Betting Systems will attract a significant annual handle; namely,

Minimum Shop 105.1 million dollars

Telephone System 87.0 million dollars

Minimum Combined System 140.8 million dollars

(3) The largest percentage of Government Off Track Betting Systems' customers will be:

- male;
- over 31 years of age;
- reasonably well educated; and
- employed with an annual family income in the Metropolitan Toronto region of over \$10,000 and in the Southern Ontario and Northern Ontario regions of over \$7,000.

TABLE 11 - 1

COMPOSITION OF THE HANDLE OF THE
GOVERNMENT OFF TRACK BETTING SYSTEMS

METROPOLITAN TORONTO REGION

\$ Million

	Future Compared To Present		Future Compared To Past	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>MINIMUM SHOP</u>				
Sources:				
Track Handle	4.0	5.7	14.4	20.4
Messenger Service Handle	35.0	49.5	0	0
Bookmaker Handle	4.8	6.8	17.5	24.8
New Money	<u>26.9</u>	<u>38.0</u>	<u>38.8</u>	<u>54.8</u>
Minimum Shop Handle	70.7	100.	70.7	100.
<u>TELEPHONE SYSTEM</u>				
Sources:				
Track Handle	3.1	5.9	13.5	25.5
Messenger Service Handle	35.0	66.3	0	0
Bookmaker Handle	3.5	6.6	16.2	30.7
New Money	<u>11.2</u>	<u>21.2</u>	<u>23.1</u>	<u>43.8</u>
Telephone System Handle	52.8	100.	52.8	100.
<u>MINIMUM COMBINED SYSTEM</u>				
Sources:				
Track Handle	7.1	7.7	17.5	18.9
Messenger Service Handle	35.0	37.8	0	0
Bookmaker Handle	8.5	9.2	21.2	22.9
New Money	<u>41.9</u>	<u>45.3</u>	<u>53.8</u>	<u>58.2</u>
Minimum Combined System Handle	92.5	100.	92.5	100.

TABLE 11 - 2

COMPOSITION OF THE HANDLE OF THE
GOVERNMENT OFF TRACK BETTING SYSTEMS

SOUTHERN ONTARIO REGION

	\$ Million			
	<u>Future Compared</u> <u>To Present</u>		<u>Future Compared</u> <u>To Past</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>MINIMUM SHOP</u>				
Sources:				
Track Handle	0	0	0	0
Messenger Service Handle	8.2	29.5	0	0
Bookmaker Handle	2.2	7.9	7.1	25.5
New Money	<u>17.4</u>	<u>62.6</u>	<u>20.7</u>	<u>74.5</u>
Minimum Shop Handle	27.8	100.	27.8	100.
<u>TELEPHONE SYSTEM</u>				
Sources:				
Track Handle	.4	1.2	0	0
Messenger Service Handle	8.2	25.2	0	0
Bookmaker Handle	2.2	6.8	7.7	23.7
New Money	<u>21.7</u>	<u>66.8</u>	<u>24.8</u>	<u>76.3</u>
Telephone System Handle	32.5	100.	32.5	100.
<u>MINIMUM COMBINED SYSTEM</u>				
Sources:				
Track Handle	.4	1.0	0	0
Messenger Service Handle	8.2	19.1	0	0
Bookmaker Handle	2.2	5.2	7.7	18.0
New Money	<u>31.9</u>	<u>74.7</u>	<u>35.0</u>	<u>82.0</u>
Minimum Combined System Handle	42.7	100.	42.7	100.

TABLE 11 - 3

COMPOSITION OF THE HANDLE OF THE
GOVERNMENT OFF TRACK BETTING SYSTEMS

NORTHERN ONTARIO REGION

	\$ Million			
	Future Compared To Present		Future Compared To Past	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>MINIMUM SHOP</u>				
Sources:				
Track Handle	0	0	0	0
Messenger Service Handle	0	0	0	0
Bookmaker Handle	.5	7.6	.5	7.6
New Money	<u>6.1</u>	<u>92.4</u>	<u>6.1</u>	<u>92.4</u>
Minimum Shop Handle	6.6	100.	6.6	100.
<u>TELEPHONE SYSTEM</u>				
Sources:				
Track Handle	0	0	0	0
Messenger Service Handle	0	0	0	0
Bookmaker Handle	0	0	0	0
New Money	<u>1.7</u>	<u>100.</u>	<u>1.7</u>	<u>100.</u>
Telephone System Handle	1.7	100.	1.7	100.
<u>MINIMUM COMBINED SYSTEM</u>				
Sources:				
Track Handle	0	0	0	0
Messenger Service Handle	0	0	0	0
Bookmaker Handle	.5	8.9	.5	8.9
New Money	<u>5.1</u>	<u>91.1</u>	<u>5.1</u>	<u>91.1</u>
Minimum Combined System Handle	5.6	100.	5.6	100.

TABLE 11 - 4

COMPOSITION OF THE HANDLE OF THE
GOVERNMENT OFF TRACK BETTING SYSTEMS

TOTAL ONTARIO

	\$ Million			
	Future Compared To Present		Future Compared To Past	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>MINIMUM SHOP</u>				
Sources:				
Track Handle	4.0	3.8	14.4	13.6
Messenger Service Handle	43.2	41.1	0	0
Bookmaker Handle	7.5	7.1	25.1	23.8
New Money	<u>50.4</u>	<u>48.0</u>	<u>65.6</u>	<u>62.4</u>
Minimum Shop Handle	105.1	100.	105.1	100
<u>TELEPHONE SYSTEM</u>				
Sources:				
Track Handle	3.5	4.0	13.5	15.5
Messenger Service Handle	43.2	49.7	0	0
Bookmaker Handle	5.7	6.6	23.9	27.5
New Money	<u>34.6</u>	<u>39.8</u>	<u>49.6</u>	<u>57.0</u>
Telephone System Handle	87.0	100.	87.0	100.
<u>MINIMUM COMBINED SYSTEM</u>				
Sources:				
Track Handle	7.5	5.3	17.5	12.4
Messenger Service Handle	43.2	30.7	0	0
Bookmaker Handle	11.2	8.0	29.4	20.9
New Money	<u>78.9</u>	<u>56.0</u>	<u>93.9</u>	<u>63.8</u>
Minimum Combined System Handle	140.8	100.	140.8	100.

- (4) A very small percentage of the handle of each of the Government Off Track Betting Systems will come from the Northern Ontario region. Accordingly, the Northern Ontario region should be approached initially with extreme caution.

(ii) Composition of the Handle of the Government Off Track Betting Systems

Tables 11-1 to 11-4 (opposite pages) describe the sources of the handle of the Government Off Track Betting Systems. These sources are shown two different ways; namely,

- (1) the column entitled Future Compared to Present assumes that the losses in handle which will be incurred by the major race tracks, messenger services and bookmakers will accrue to the Government Off Track Betting System once the latter has reached maturity - the difference between the sum of these losses in handle and the Government Off Track Betting System handle must, therefore, represent new money in the system;
- (2) the column entitled Future Compared to Past shows the sources taking into account the cumulative effect of the messenger services and Government Off Track Betting Systems; that is, it breaks out the handle of the

messenger services into its components (loss of major race tracks, loss of book-makers and new money in the system) and adds these to the results in paragraph (1) above.

Note:

Table 11-3 shows the minimum shop handle as 6.6 million dollars and the minimum combined system handle as 5.6 million dollars. The handle of the minimum combined system should be at least as great as the handle of the minimum shop. Accordingly, there is a minor inconsistency in these figures which is insignificant in terms of the results of this study.

The following conclusions can be drawn from these tables:

- (1) The most significant source of the handle of the Government Off Track Betting Systems is new money in the system. This again clearly points out the significant consumer demand that exists for a Government Off Track Betting System;
- (2) Although the major race tracks contribute a substantial portion (approximately 20%) of the Government Off Track Betting handle in the Metropolitan Toronto region, they contribute nothing in the Southern Ontario and Northern Ontario regions. Bettors in

the Southern Ontario region, although very receptive to the idea of the Government Off Track Betting System, will continue to attend the major race tracks with the same degree of regularity even if they use the Government Off Track Betting System.

- (3) The bookmakers are significant contributors to the handle of the Government Off Track Betting Systems in both the Metropolitan Toronto and Southern Ontario regions.

(iii) Reasons Government Off Track Betting Systems Will Be Successful

Earlier in this report it was concluded that:

- (1) the Government Off Track Betting Systems will not jeopardize the future of the major race tracks; and
- (2) the Government Off Track Betting Systems will substantially decrease the bookmakers' handle with respect to those who currently bet at least horse races with them; and
- (3) the Government Off Track Betting Systems will be successful because they will satisfy a significant consumer demand for a Government Off Track Betting System. The significant amount of new money that will be generated by

TABLE 12 - 1

REASONS GOVERNMENT OFF TRACK BETTING SYSTEMS WILL BE SUCCESSFUL

METROPOLITAN TORONTO REGION					
REASONS BOOKMAKERS AND MESSENGER SERVICES NOT USED			REASONS GOVERNMENT OFF TRACK BETTING SYSTEM WILL BE USED		
<u>Reason</u>	<u>Messenger Services %</u>	<u>Book-maker %</u>	<u>Reason</u>	<u>Minimum Shop %</u>	<u>Telephone System %</u>
Unreliable	25.0	3.0	Reliable, legal	57.9	
Odds not available	11.7	10.6			
Inconvenient location	15.4		Need not go to shop		49.2
Like to see horses when bet	64.4	42.4			
Do not like to pay surcharge	19.7		No surcharge	28.4	
Illegal	3.2	62.1			
Bet at track for enjoyment	3.7				
Do not pay track odds		35.6	Track odds paid	54.7	

TABLE 12 - 2

REASONS GOVERNMENT OFF TRACK BETTING SYSTEMS WILL BE SUCCESSFUL

SOUTHERN ONTARIO REGION				
REASONS BOOKMAKERS AND MESSENGER SERVICES NOT USED		REASONS GOVERNMENT OFF TRACK BETTING SYSTEMS WILL BE USED		
Reason	Messenger Services %	Book-maker %	Reason	Minimum Shop % Telephone System %
Unreliable	20.2	11.2	Reliable, legal	46.7
Odds not available	8.3	14.6		
Inconvenient location	11.0		Need not go to shop	33.3
Like to see horses when bet	68.8	50.6		
Do not like to pay surcharge	11.9		No surcharge	13.3
Illegal	10.1	57.3		
Bet at track for enjoyment	7.3			
Do not pay track odds		18.0	Track odds paid	40.0

TABLE 12 - 3

REASONS GOVERNMENT OFF TRACK BETTING SYSTEMS WILL BE SUCCESSFULNORTHERN ONTARIO REGION

<u>REASONS BOOKMAKERS NOT USED</u>		<u>REASONS GOVERNMENT OFF TRACK BETTING SYSTEMS WILL BE USED</u>		
<u>Reason</u>	<u>Bookmaker %</u>	<u>Reason</u>	<u>Minimum Shop %</u>	<u>Telephone System %</u>
Unreliable	13.9	Reliable, legal	42.6	
Odds not available	19.0			
Inconvenient location		Need not go to shop		23.8
Like to see horses when bet	21.5			
Do not like to pay surcharge		No surcharge	18.5	
Illegal	58.2			
Do not pay track odds	20.3	Track odds paid	22.2	

the Government Off Track Betting Systems is the strongest evidence of this fact.

A detailed discussion of the conclusions contained in paragraphs (1) and (2) above is contained earlier in this report. In this section there is contained an explanation of the conclusion in paragraph (3); namely, what is there about the Government Off Track Betting Systems that will satisfy this consumer demand, a demand which is apparently not being adequately satisfied by the present off track betting facilities (e.g. the messenger services and the bookmakers).

Tables 12-1 to 12-3 (opposite pages) compare the reasons given by respondents regarding why they do not use the messenger services and bookmakers to the reasons given by respondents regarding why they would use the Government Off Track Betting Systems. The percentages appearing in Tables 12-1 to 12-3 represent the percentages of respondents who answered each particular category; e.g., of those respondents in the Metropolitan Toronto region who do not use the messenger services, 25% do not use them because they are unreliable (Table 12-1). Percentages do not add up to 100% because multiple answers were accepted (see Detailed Tables 19,26,27, and 38 in the Metropolitan Toronto and Southern Ontario regions and 7,8,17 and 18 in the Northern Ontario region).

The following conclusions can be drawn from these tables:

- (1) The Government Off Track Betting System will overcome the following reasons given by respondents regarding why they do not use the messenger services and the bookmakers; namely,
 - (a) the unreliability of the messenger services and the bookmakers;
 - (b) the inconvenient locations of the messenger services;
 - (c) the surcharge of the messenger services;
 - (d) the illegality of the bookmakers; and
 - (e) the fact that the bookmakers do not pay track odds.

Thus, a portion of the significant percentage of respondents who expressed the above reasons for not using the messenger services and the bookmakers should become customers of the Government Off Track Betting Systems. These are people who want to bet at an off track facility, but for the reasons stated do not use the messenger services and the bookmakers--the Government Off Track Betting Systems will, it appears, satisfy their demand.

- (2) Some of the reasons given by respondents regarding why they do not use the messenger services and bookmakers; namely,

(a) the odds are not available;

(b) they like to see the horses when they bet; and

(c) they bet at the track for enjoyment

will not be overcome by the Government Off Track Betting System.

Odds and attendance at the track for enjoyment were expressed by a low percentage of respondents and are therefore reasonably insignificant. A desire to see the horses run, however, was expressed by a significant percentage of respondents. It is clear, however, that no off track betting facility can overcome this reason unless the races are televised - those respondents will have to continue to attend the race track. Therefore, it appears that the Government Off Track Betting Systems will overcome all but one of the significant reasons expressed by respondents regarding why they do not use the messenger services and bookmakers.

- (3) Throughout this report it has been emphasized that a significant consumer demand for a

Government Off Track Betting System exists.

On the basis of the foregoing it appears that:

- (a) the Government Off Track Betting System will satisfy the demand of most respondents who wish to bet at off track betting facilities as it overcomes all but one of the reasons that exist regarding why respondents do not use the present off track betting facilities; namely, the messenger services and bookmakers; and
- (b) the one reason which the Government Off Track Betting Systems do not overcome is not a shortcoming of the Government Off Track Betting System per se, as no off track betting facility can overcome this without televising the races. Furthermore, if one of the objectives of the Task Force is to ensure the future of the major race tracks, then attempting to overcome this one factor might work against this objective.

One of the greatest competitive advantages that the race tracks have over any off track betting facility is the fact that only at the race tracks can the horses be seen. Accordingly, if races are televised, the risk exists that track attendance will decline. Races were

televised a few years ago on a local television station and it would be helpful to review the effect that this had on the handle and usage of the major race tracks. One further consideration is relevant. Even if it is concluded that televising the races in the Metropolitan Toronto region would be too damaging to the major race tracks, the possibility exists of televising the races in the Southern Ontario and Northern Ontario regions only in order to stimulate interest in horse races and accordingly increase the handle and usage of the Government Off Track Betting Systems. Should a decision be made to televise the races in the Southern Ontario and Northern Ontario regions, however, careful attention must be paid to:

- (i) making sure that the blackout covers a sufficient area around the race track that is being covered; and
- (ii) the possible effect that televising races at the major race tracks might have on the local tracks.

Reference should be made also to the discussion in Section VI, 2 (a) (iii) entitled The Future of the Major Race Tracks.

(iv) Feasibility of Attracting Respondents Who Stated That They Would Never Use the Government Off Track Betting Systems

(1) Minimum Shop

Respondents gave the following reasons regarding why they would never use the Minimum Shops: (see Detailed Tables 48 for the Metropolitan Toronto and Southern Ontario regions and 28 for the Northern Ontario region):

<u>Reason</u>	<u>Metro-politan Toronto Region %</u>	<u>Southern Ontario Region %</u>	<u>Northern Ontario Region %</u>
Would not know odds	16.9	19.0	0
Do not like to bet unless see horses	64.0	65.5	53.8
Like enjoyment/ excitement of seeing horses	21.3	12.1	53.8
They are immoral	3.0	6.9	0

Conclusion

A desire to see the horses appears to be the most significant reason expressed by respondents regarding why they would never use the minimum shop. It is not feasible for the

Government to overcome this unless the races are televised and for the reasons discussed above (see the discussion in subsection (iii) entitled Reasons Government Off Track Betting Systems will be Successful) this might not be desirable.

(2) Telephone System

Respondents gave the following reasons regarding why they would never use the telephone system (see Detailed Tables 49 for the Metropolitan Toronto and Southern Ontario regions, and 29 for the Northern Ontario region):

<u>Reason</u>	<u>Metro- politan Toronto Region %</u>	<u>Southern Ontario Region %</u>	<u>Northern Ontario Region %</u>
Do not want Government to have record of gambling	22.3	11.1	23.9
Do not want to deposit money	31.4	41.1	41.8
Do not want to deposit as much as \$25.00	14.0	28.9	22.4
Like enjoyment of seeing horses	30.6	21.1	31.3

Conclusions

(a) A desire to see the horses appears to be a

significant reason expressed by respondents regarding why they would never use the telephone system. As stated above, it is not feasible for the Government to overcome this unless the races are televised and this might not be desirable.

(b) It is feasible for the Government to overcome the other reasons by:

- (i) ensuring bettors, if possible, that their wagering records will be kept strictly confidential and not made available to any other Government branch; and
- (ii) establishing a media program aimed at educating the public about the operation of the deposit system and by setting up a convenient method of making deposits. The experience of other jurisdictions appears to substantiate the feasibility of a deposit system. While the size of the deposit (\$25.00) does not appear to be a significant problem in the Metropolitan Toronto region, 28.9% and 22.4% of the respondents in the Southern Ontario and Northern Ontario regions respectively expressed it as a problem. It is believed, however, that if a proper job is done in educating consumers, a \$25.00 deposit will not be an inhibiting factor in their using the deposit system.

TABLE 13

EFFECT OF DELAYING PAYOFFS UNTIL THE NEXT DAY ON THE
HANDLE AND USAGE OF THE GOVERNMENT OFF TRACK BETTING SYSTEMS

	Metropolitan Toronto Region %	Southern Ontario Region %	Northern Ontario Region %
<u>% OF MINIMUM SHOP USERS</u>			
<u>(THOROUGHbred) WHO WOULD</u>			
<u>BE AFFECTED</u>	14	39	13
% of those who would be affected who would			
bet fewer days	50	60	20
bet fewer races	50	40	40
bet lesser amounts	25	40	60
<u>% OF MINIMUM SHOP USERS</u>			
<u>(HARNESS) WHO WOULD BE</u>			
<u>AFFECTED</u>	19	63	16
% of those who would be affected who would			
bet fewer days	50	40	20
bet fewer races	62.5	40	60
bet lesser amounts	25	40	40

(v) Effect of Delaying Payoff Until the Next Day
on the Handle and Usage of the Government Off
Track Betting Systems

Table 13 (opposite page) indicates the percentages of minimum shop users (both Thoroughbred and Harness) whose betting behaviour would change if payoff were delayed until the next day. Of those whose betting behaviour would change it also shows the percentages who would bet:

- 1) fewer days;
- 2) fewer races;
- 3) lesser amounts each race.

(See Detailed Tables 101 for the Metropolitan Toronto region and Southern Ontario region and 76 in the Northern Ontario region).

It is assumed that if a telephone system were implemented an inherent feature of it would be an immediate deposit of winnings into the account. Accordingly, no analysis of the telephone system is contained in this section (see Detailed Tables 102 for the Metropolitan Toronto and Southern Ontario regions and 77 for the Northern Ontario region which Tables describe the effect of a delay in payoff on the telephone system).

The following conclusions can be drawn from Table 13:

- (1) The betting behaviour of a large percentage of minimum shop users would change if payoff were delayed until the next day; namely, 14%, 39% and 13% of all minimum shop Thoroughbred users and 19%, 63% and 16% of all minimum shop Harness users in the Metropolitan Toronto, Southern Ontario and Northern Ontario regions, respectively;
- (2) Of those whose betting behaviour would change if payoff were delayed until the next day, a significant percentage would
 - (a) bet fewer days;
 - (b) bet fewer races; and
 - (c) bet lesser amounts.

(vi) Implementation Decision

This report analyzes in detail three alternative Government Off Track Betting Systems; namely,

- (1) the minimum shop
- (2) the telephone system; and
- (3) the minimum combined system.

Which Government Off Track Betting System, if any, should be implemented? The following factors should be considered:

(1) Economic Factors

It is suggested that a profitability analysis be done of the three Government Off Track Betting Systems. It is beyond the ambit of this study to obtain cost data; however, the expected handle and usage of each system is analyzed in considerable depth earlier in this report.

It is suggested that the profitability analysis be approached in the following manner:

- (a) compare the profitability of the minimum shop with the profitability of the telephone system. The results of this comparison will determine the basic strategy; and
- (b) compare the system which proves most profitable in (a) with the minimum combined system.

It is not suggested that the same system should be implemented throughout the

Province; e.g. it might be most profitable to have a minimum combined system in the Metropolitan Toronto and Southern Ontario regions and only a telephone system initially in the Northern Ontario region. Accordingly, the profitability of all of the various permutations and combinations should be explored. As has been stated throughout this report, the Northern Ontario region should be approached initially very cautiously.

(2) Non Economic Factors

In addition to the pure economic consideration discussed above, the following additional factors should be considered before a decision is reached:

(a) Impulse Trial

The existence of shops will stimulate impulse trials. Consumers passing the shops during their daily travels will have their curiosity aroused. An impulse to try these shops might result in repeated use. This impulse trial relates both to current bettors and to current non bettors. Such impulse trials would not, of course, result from a telephone system alone.

(b) Advertising Medium

The public will be exposed through advertising and news reports to the Government Off Track Betting System. Shops will increase this exposure to the public and help reinforce the messages communicated through advertising. Such reinforcement would, of course, not result from a telephone system alone.

Thus, the method of evaluating the various Government Off Track Betting Systems must include factors beyond pure economic considerations.

(vii) Operational Data

There follows an analysis of operational data which will assist the Task Force in the implementation of the Government Off Track Betting Systems. This data breaks down expected use:

- (1) between week and weekend;
- (2) into hours of the day; and
- (3) into preferred location.

TABLE 14

OPERATIONAL DATA - WEEK, WEEKEND USAGE

	Metropolitan Toronto Region %	Southern Ontario Region %	Northern Ontario Region %
<u>(1) MINIMUM SHOP</u>			
<u>Thoroughbred Users</u>			
Week and Weekend	50	23	24
Week	35	18	24
Weekend	16	59	52
<u>Harness Users</u>			
Week and Weekend	60	27	24
Week	20	9	22
Weekend	13	64	54
<u>(2) TELEPHONE SYSTEM</u>			
<u>Thoroughbred Users</u>			
Week and Weekend	41	35	30
Week	33	16	21
Weekend	10	49	30
<u>Harness Users</u>			
Week and Weekend	49	21	18
Week	16	16	24
Weekend	13	59	58

(1) Week/Weekend Usage

Table 14 (opposite page) indicates the percentages of users of the minimum shop and the telephone system who will use each system

- (a) during both the week and weekend;
- (b) during the week only; and
- (c) during the weekend only.

(See Detailed Tables 103, 104 for the Metropolitan Toronto and Southern Ontario regions and 78, 79 for the Northern Ontario region).

From table 14 it can be seen that for both the minimum shop and telephone system there will be active use by both Thoroughbred and Harness bettors during the week and during the weekend. In the Metropolitan Toronto region there will be heavier use during the week while in the Southern Ontario and Northern Ontario regions there will be heavier use during the weekend.

TABLE 15

OPERATIONAL DATA - HOURS OF DAY

<u>MINIMUM SHOP</u>	
<u>Metropolitan Toronto Region</u>	<u>Southern Ontario Region</u>
	Northern Ontario Region
<u>Thoroughbred Users</u>	
Peak Hours	
12 noon to 1 p.m.	7 a.m. to 9 a.m.
5 p.m. to 6 p.m.	12 noon to 1 p.m.
	7 p.m. to 8 p.m.
	5 p.m. to 6 p.m.
<u>Harness Users</u>	
Peak Hours	
12 noon to 2 p.m.	7 a.m. to 9 a.m.
4 p.m. to 6 p.m.	12 noon to 1 p.m.
	3 p.m. to 4 p.m.
	4 p.m. to 5 p.m.
	7 p.m. to 8 p.m.
<u>MESSENGER SERVICES</u>	
<u>Thoroughbred Users</u>	
Peak Hours	
12 noon to 1 p.m.	7 a.m. to 9 a.m.
	10 a.m. to 11 a.m.
	12 noon to 1 p.m.
	4 p.m. to 6 p.m.
<u>Harness Users</u>	
Peak Hours	
12 noon to 1 p.m.	10 a.m. to 11 a.m.
4 p.m. to 6 p.m.	12 noon to 1 p.m.
	4 p.m. to 5 p.m.

(2) Hours of Day

Table 15 (opposite page) indicates the peak hours during the day when

- (a) the messenger services are currently being used, and
- (b) the minimum shop will be used

by both Thoroughbred and Harness bettors. (See Detailed Tables 20 and 105 for the Metropolitan Toronto and Southern Ontario regions and 80 for the Northern Ontario region).

The following conclusions can be drawn from Table 15:

- (a) In the Metropolitan Toronto and Southern Ontario regions the peak hours for both Thoroughbred and Harness users will be during the lunch hour (12 noon to 1 p.m.) and after work (4 p.m. to 6 p.m.). As Thoroughbred races are run during the day and Harness races are run at night it is possible that the Thoroughbred bettors will place their bets at lunch time and cash after work while the Harness bettors will place their

bets after work and cash on the next day at lunch time. If such a pattern develops, and this will become obvious soon after the shops are opened, then

- (i) thought should be given to the possibility of having separate "seller" and "cashier" windows especially at these peak hours; and
- (ii) a further evaluation should be made regarding having payoff later the same day or the next day rather than immediately after the race.

The behavioral pattern of users of the messenger services appears to substantiate the above conclusions, especially in the Metropolitan Toronto region; i.e. Thoroughbred users place their bets at lunch time and do not return until the next day to collect their winnings (payoffs are delayed until the next day) and Harness users attend at lunch time and after work. There is, therefore, the possibility that they bet after work and return the next day at lunch time to collect. In the

Southern Ontario region messenger service users (Thoroughbred and Harness) also indicated 10 a.m. to 11 a.m. as peak hours. This is necessary since all bets are required to be transported to the race tracks and sufficient time is required to do so.

- (b) In addition to the peak hours discussed above, Southern Ontario Thoroughbred and Harness bettors have indicated that they would use the shop heavily between 7 a.m. and 9 a.m.
- (c) In the Northern Ontario region the peak hours for Thoroughbred bettors will be 12 noon to 1 p.m. and 7 p.m. to 8 p.m. whereas for the Harness bettors peak hours will be 12 noon to 1 p.m., 3 p.m. to 4 p.m., and 7 p.m. to 8 p.m. As shift work in the Northern Ontario region is prevalent, it is expected that there could be peak hours that will be very different from those in the Metropolitan Toronto and Southern Ontario regions.

TABLE 16

LOCATIONAL PREFERENCES - POINT OF ORIGIN

	<u>Metropolitan Toronto Region</u>		<u>Southern Ontario Region</u>		<u>Northern Ontario Region</u>	
	<u>Thoro- bred</u>	<u>Harness</u>	<u>Thoro- bred</u>	<u>Harness</u>	<u>Thoro- bred</u>	<u>Harness</u>
<u>MINIMUM SHOP</u>						
Near Home	39	43	36.7	24.4	32.6	34.4
Near Work	38	35	23.3	22.0	23.3	23.4
On Subway Route to/from work	7	7				
On Go train to/from work	2	2				
On Driving route to/from work	13	7	26.7	31.7	23.3	18.8

MESSENGER SERVICES

Near Home	35.8	54.5	40.0	40.0
Near Work	50.9	31.8	10.0	20.0
On route to/from work	13.2	13.6	50.0	40.0

(3) Locational Preferences

(a) Point of Origin

Table 16 (opposite page) indicates

- (i) where respondents would like the minimum shop located; and
- (ii) where the messenger services are currently located in relation to their customers.

(See Detailed Tables 22 and 106 for the Metropolitan Toronto and Southern Ontario regions and 81 for the Northern Ontario region).

The following conclusions can be drawn from Table 16:

- (1) In the Metropolitan Toronto region there is a significant demand for a shop near home and near work with a very small demand for a shop on the route to and from work. This projected pattern is substantiated by the pattern currently followed by the customers of the messenger services.

Although a very small number of respondents expressed a preference for subway and Go train locations, as the subway and Go train systems expand to service a greater percentage of the population, these locations might become more convenient.

- (2) In the Southern and Northern Ontario regions respondents expressed strong preferences for locations near home, near work and on the driving route to and from work. A much larger percentage of bettors in these regions preferred locations on the driving route to and from work than bettors in the Metropolitan Toronto region. Rush hour traffic and parking conditions may not be as severe in the Southern and Northern Ontario regions and therefore betting on the route to and from work are probably more convenient.
- (3) In each of the three regions there is no significant difference in the expected pattern of Thoroughbred and Harness race customers.

TABLE 17

		DISTANCE FROM POINT OF ORIGIN					
		5-10		More than 10 Minute		5-10	
		Minute	Walk	Thoro-	Harness	Minute	Drive
		bred		bred		bred	Harness
		%	%	%	%	%	%
METROPOLITAN TORONTO REGION							
Near Home	80	79		50	52	24	31
Near Work	83	88		36	54	25	38
Subway	78	60		56	60	56	60
Go Train	100	100		100	100	50	33
Driving to/ from work	94	100		95	100	78	100
SOUTHERN ONTARIO REGION							
Near Home	100	60		55	40	27	30
Near Work	57	78		43	67	43	44
Driving to/ from work	100	92		63	77	13	77
NORTHERN ONTARIO REGION							
Near Home	71	86		50	45	32	32
Near Work	75	53		55	33	40	20
Driving to/ from work	100	100		90	92	70	83
						More than 10 Minute Drive	
						Thoro-	Harness
						bred	%
						%	%
						6	7
						6	4
						33	20
						50	33
						11	20
						0	0
						0	0
						0	15
						0	0
						10	0
						10	25

(b) Distance From Point of Origin

Table 17 (opposite page) indicates the percentages of minimum shop users who stated that they would be conveniently serviced by locations at various distances from their points of origin; e.g. 80% of Thoroughbred users in the Metropolitan Toronto region who will use the shop near home stated that it would be convenient if located within a 5 to 10 minute walk from home. (See Detailed Tables 23, 24, 25, 107 for the Metropolitan Toronto and Southern Ontario regions and 82 for the Northern Ontario region).

The following conclusions can be drawn from Table 17:

- (i) In all regions locations within 5 to 10 minutes walking time are convenient to the majority of respondents from all points of origin whereas locations more than 10 minutes driving time are inconvenient to the majority of respondents from all points of origin;

(ii) With the exception of those who are driving to work (who are willing to drive 5 to 10 minutes), an effort should be made to locate the shops as close to a 10 minute walking time as possible.

It should be stressed that it is not the purpose of this study to do a complete locational analysis for the shops. All that is contained here in a broad framework of consumer expectations. It is suggested that a more detailed study is required in order to develop a specific locational strategy. In addition, a matching of the demographic profile of the minimum shop user with the demographic profiles given in census tract data will help to pinpoint strategic locations throughout the Province for the location of shops.

VII ANCILLARY DATA

In addition to the information contained in the main part of this study above, the Task Force requested Innovative Marketing (1971) Limited to conduct the following additional research:

A. Other Tracks

1. Information was obtained from respondents to the General Bettor Survey regarding their betting behaviour with respect to other tracks; i.e. tracks other than the major race tracks; and
2. A study was conducted at Windsor Raceway and Western Fair Raceway in order to obtain information regarding the betting behaviour of trackgoers at these race tracks.

B. Major Races

Information was obtained from respondents to the General Bettor Survey regarding their demand to bet major races such as the Kentucky Derby.

C. Superfecta

Information was obtained from respondents to the General Bettor Survey regarding their demand to bet the Superfecta.

D. Demographics of the Trackgoer

Information was obtained from respondents to the General Bettor Survey regarding why they attend the race track in order to determine the accuracy of the categories contained in the article, Off Track Betting - Boon or Bog, by Spindletop Research.

This section contains an analysis of the results of the research in the above areas.

Reference should also be made to Appendix 17 entitled Additional Information where it is stated that a review of

- A. The General Population Survey; and
- B. The Messenger Service Study Questionnaire (see Appendix 18 for a copy of the questionnaire) which was administered in order to augment the group interview recruitment list

will indicate that additional information can be extracted from them. It was, however, beyond the ambit of this study to do any further analysis of these questionnaires.

A. Other Tracks

Throughout this subsection, "other tracks" means those race tracks other than the major race tracks.

This subsection is divided into two parts; namely,

1. An Analysis of a Study Conducted at Windsor Raceway and Western Fair Raceway; and
2. An Analysis of Data Obtained From the Metropolitan Toronto, Kingston and Sault Ste. Marie-Thunder Bay Questionnaires.

Each part will be analyzed separately.

1. An Analysis of A Study Conducted At Windsor Raceway and Western Fair Raceway

(a) Purpose

To study the betting habits of trackgoers at Windsor Raceway and Western Fair Raceway.

(b) Objectives

- (i) To determine the trading area for Windsor Raceway and Western Fair Raceway.

(ii) To determine which other tracks trackgoers at Windsor Raceway and Western Fair Raceway

(1) attend;

(2) bet through messenger services; and

(3) bet through bookmakers.

(c) Methodology

A questionnaire (see Appendix 14 for copies of the questionnaires) was randomly administered to 317 and 297 trackgoers at Windsor Raceway and Western Fair Raceway on January 25th, 1972 and January 26th, 1972 respectively.

Note:

(i) On January 25, 1972, 3,342 people bet \$262,055.00 at Windsor Raceway; and

(ii) On January 26, 1972, 2,632 people bet \$131,025.00 at Western Fair Raceway.

(d) Findings

(i) Introduction

Reference should be made to the tables contained in Appendix 15, which tables discuss the data obtained from the questionnaires referred to above.

(ii) Assumptions and Conditions

- (1) These studies were conducted on one night only at each of the race tracks. Accordingly, the study might not be a random study of trackgoers at these two race tracks to the extent that the trackgoers present on the stated nights were not entirely representative of the regular trackgoers. It is assumed, however, that the sample is a random sample of trackgoers for the purpose of this report.
- (2) This study analyzes all trackgoers at each of the race tracks studied. It does not
 - (a) analyze the betting habits of residents of Windsor and London separately; or
 - (b) analyze the betting habits of current bettors in the Windsor and London areas who do not attend either Windsor Raceway or Western Fair Raceway.
- (3) All results are stated in terms of a percentage of trackgoers who participate in the particular activity under study.
- (4) The betting behaviour of trackgoers at Windsor Raceway and Western Fair Raceway with respect to the major race tracks is not analyzed here as this was not the purpose of

this study; however, this information is contained in Appendix 15. See also in this regard, Result 3, entitled Additional Comments, below.

(iii) Results

(1) Trading Area

(a) Windsor Raceway

- 31.2% of trackgoers at Windsor Raceway come from Windsor;
- 32.5% of trackgoers at Windsor Raceway come from Detroit; and
- the balance of the trackgoers at Windsor Raceway come from other population concentrations in Ontario (17.1%), other population concentrations in Michigan (14.3%) and other states in the U.S.A. (3.2%).

Conclusion

The trading area for Windsor Raceway appears to be substantially the cities of Windsor and Detroit.

(b) Western Fair Raceway

- 55.2% of trackgoers at Western Fair Raceway come from London;

- 25.2% of trackgoers at Western Fair Raceway come from an area of approximately 30 miles radius surrounding London.

Conclusion

The trading area for Western Fair Raceway appears to be the City of London and a 30 mile radius surrounding London.

Note:

The definition of a trading area is helpful to the Task Force should it desire to estimate the area from which it might expect to draw people should it decide to provide a Government Off Track Betting System to handle Windsor Raceway and/or Western Fair Raceway.

(2) Betting Behaviour

(a) Windsor Raceway

(i) Tracks Attended Last Year

216 (68.1%) of the respondents indicated that they attended tracks other than Windsor Raceway last year. Of these 216 respondents the following percentages attended the following race tracks:

<u>Race Track</u>	<u>%</u>
Detroit Race Course	48.6%
Hazel Park	62.5%
Northville	29.2%
Western Fair Raceway	10.2%

Conclusion

It appears that trackgoers at Windsor Raceway do have an active interest in attending other tracks. These tracks, however, are mainly in the U.S.A. (Michigan) and the majority of those Windsor Raceway trackgoers who attended them are Americans. Extreme caution should be taken when considering a Government Off Track Betting System in the Windsor Raceway trading area to handle other tracks.

(ii) Other Tracks Bet at the Messenger Services Last Year

25 (7.9%) of the respondents used messenger services last year. Of these 25 respondents the following percentages bet the following other tracks:

<u>Race Track</u>	<u>%</u>
Windsor Raceway	52.0%
Hazel Park	12.0%
Detroit Race Course	8.0%

Conclusions

- (a) 7.9% of the trackgoers at Windsor Raceway used a messenger service last year;
- (b) Of those who used a messenger service, 52.0% bet Windsor Raceway; accordingly, it appears that providing a Government Off Track Betting System to handle Windsor Raceway should be explored in further depth as there appears to be some demand to bet Windsor Raceway at an off track betting facility; and
- (c) No other race track appears to be bet significantly at the messenger services.

(iii) Other Tracks Bet at a Bookmaker Last Year

44 (13.9%) of the respondents used a bookmaker last year. Of these 44 respondents the following percentages bet the following other tracks:

<u>Race Track</u>	<u>%</u>
Windsor Raceway	31.8%
Hazel Park	36.4%
Detroit Race Course	27.3%
Northville	13.6%

Conclusions

- (a) 13.9% of the trackgoers at Windsor Raceway used a bookmaker last year;
 - (b) Of those who used a bookmaker, 31.8% bet Windsor Raceway; accordingly, this again points out that there is some demand to bet Windsor Raceway at an off track betting facility and that providing a Government Off Track Betting System to handle Windsor Raceway should be explored further; and
 - (c) The tracks other than Windsor Raceway appear to be bet primarily by Americans.
- (b) Western Fair Raceway
- (i) Tracks Attended Last Year

228 (76.8%) of the respondents indicated that they attended tracks other than Western Fair Raceway last year. Of these 228 respondents the following percentages attended the following race tracks:

<u>Race Tracks</u>	<u>%</u>
Clinton)	
Goderich)	
Orangeville)	47.4%
Hanover)	
Elmira)	
Windsor Raceway	47.4%
Dresden	25.0%

Conclusion

It appears that trackgoers at Western Fair Raceway do have an active interest in attending other tracks. However, these tracks, with the exception of Windsor Raceway, are small and run infrequently during the year. Accordingly, the incremental cost of covering these other tracks through the Government Off Track Betting System may be greater than the incremental revenue received.

(ii) Other Tracks Bet at the Messenger Services Last Year

101 (34.0%) of the respondents used messenger services last year. Of these 101 respondents the following percentages bet the following other tracks:

<u>Race Track</u>	<u>%</u>
Western Fair Raceway	12.9%
Windsor Raceway	42.6%
Dresden	11.9%

Conclusions

- (a) 34.0% of the trackgoers at Western Fair Raceway used a messenger service last year;
- (b) Of those who used a messenger service, only 12.9% bet Western Fair Raceway;

accordingly, it appears that providing a Government Off Track Betting System to handle Western Fair Raceway is premature; and

- (c) No other race tracks appear to be bet significantly except Windsor Raceway - the conclusion with respect to Windsor Raceway stated above appears to be confirmed.

(iii) Other Tracks Bet at a Bookmaker Last Year

40 (13.5%) of respondents used bookmakers last year. Of these 40 respondents the following percentages bet the following other race tracks:

<u>Race Track</u>	<u>%</u>
Windsor Raceway	52.5%
Western Fair Raceway	10.0%

Conclusions

- (a) 13.5% of the trackgoers at Western Fair Raceway used a bookmaker last year;
- (b) Of those who used a bookmaker, only 10.0% bet Western Fair Raceway; accordingly it appears that providing a Government Off Track Betting System to handle Western Fair Raceway appears to be premature; and

(c) No other tracks appear to be bet significantly except Windsor Raceway - the conclusions stated above with respect to Windsor Raceway appear to be confirmed.

(3) Additional Comments

- (a) It appears premature to consider the implementation in the Windsor and London areas of a Government Off Track Betting System to handle betting at other tracks. However, there appears to be substantial interest in betting Windsor Raceway through off track betting facilities and to a lesser extent Western Fair Raceway. Therefore, these areas should be carefully monitored once the Government Off Track Betting System is implemented in these areas to cover the major race tracks; i.e. once a behavioural pattern is established an expansion of the facilities to cover these additional race tracks might prove very profitable. This comment is applicable not only to Windsor and London but, to all other "A" and "B" track population concentrations.
- (b) As stated earlier, it is not the purpose of this study of Windsor Raceway and Western Fair Raceway to analyze the demand for betting at the major race tracks. However, this information is contained in Appendix 15. The results as they relate to the major race

tracks appear to substantiate the findings contained in the main part of this report dealing with the Southern Ontario region.

2. Data Obtained From the Metropolitan Toronto, Kingston and Sault Ste. Marie-Thunder Bay Questionnaires

(a) Purpose

To study the betting habits of residents of Metropolitan Toronto, Kingston and Sault Ste. Marie-Thunder Bay.

(b) Objectives

To determine which other race tracks residents of Metropolitan Toronto, Kingston and Sault Ste. Marie-Thunder Bay

(i) attend;

(ii) bet through a bookmaker; and

(iii) would like to bet through the Government off Track Betting System.

(c) Methodology

The same questionnaires (see Appendix 4) which were used to obtain the results in the main study also contained questions with respect to other tracks; i.e. as an ancillary aspect of the General Bettor Survey, respondents were asked additional questions relating to other tracks.

(d) Findings

(i) Introduction

Reference should be made to the Index of Detailed Tables in Appendix 16 and to the Detailed Tables in Appendix 13, which tables discuss the data obtained from the questionnaires.

(ii) Assumptions and Conditions

- (1) The messenger service portion of this study was conducted for major race tracks only and accordingly, respondents were not asked which other tracks they bet at messenger services.
- (2) The results stated below are projections based only upon the population concentrations studied; namely, Metropolitan Toronto, Kingston and Sault Ste. Marie-Thunder Bay. No attempt was made to project the Kingston and Sault Ste. Marie-Thunder Bay results to the Southern Ontario and Northern Ontario regions respectively. It is not possible to use the same projection techniques as were used in the main part of this study to project the results of Kingston, and Sault Ste. Marie-Thunder Bay with respect to these other tracks to the entire Southern Ontario and Northern Ontario regions respectively because:

- (a) the knowledge of the existence of some or all of these other tracks is limited; and
- (b) the appeal of some or all of these other tracks is limited.

Accordingly, it is imperative before any further projections are made, beyond those contained in this study, to define carefully a trading area for each of these other tracks - any projections should relate to this trading area only. Should the Task Force desire to define such trading areas assistance can be obtained from

- (a) the trading areas for Windsor Raceway and Western Fair Raceway defined above; and
 - (b) the newspaper study prepared by the Task Force which study indicates the race results which are reported in various newspapers throughout the Province.
- (3) In the Sault Ste. Marie-Thunder Bay portion of this study no questions were asked regarding other tracks attended in the last year.

(iii) Results

(1) Betting Behaviour

(a) Metropolitan Toronto

(i) Other tracks attended more than 5 times last year

- 2,600 people or 4.8% of all Thoroughbred bettors in the Metropolitan Toronto region attended other Thoroughbred tracks more than 5 times last year;
- 3,400 people or 11.1% of all Harness bettors in the Metropolitan Toronto region attended other Harness tracks more than 5 times last year; and
- There was not any one other track which was attended by a large percentage of these bettors.

Conclusions

It appears that bettors in the Metropolitan Toronto region do not have an active interest in attending other tracks. This is probably the result of the fact that high class races are easily accessible to residents of Metropolitan Toronto almost all year.

(ii) Other Tracks bet with a Bookmaker Last Year

700 people or 13.6% of all Thoroughbred bookmaker bettors in the Metropolitan Toronto region bet other tracks with a bookmaker last year;

600 people or 15.4% of all Harness bookmaker bettors in the Metropolitan Toronto region bet other tracks with a bookmaker last year; and

There was not any one other track which was bet by a large percentage of these bettors.

Conclusion

It appears that bettors in the Metropolitan Toronto region do not actively bet other tracks with a bookmaker.

(iii) Other Tracks Would Bet at Government Off Track Betting System

- (a) The percentages of bettors who would like to bet other tracks using the Government Off Track Betting System are:

	<u>Thorough- bred</u>	<u>Harness</u>
Minimum Shop	26.3%	22.1%
Telephone System	21.2%	17.6%
Minimum Combined System	24.5%	22.2%

(b) Of those who expressed a desire to bet
other tracks the following percentages
wish to be the following other tracks:

<u>Other Track</u>	<u>Minimum Shop</u>	<u>Tele- phone System</u>	<u>Minimum Combined System</u>
<u>Thoroughbred</u>			
Aqueduct	14.3%	8.1%	11.5%
Hialeah	22.2%	29.7%	29.5%
Saratoga	4.8%	-	3.8%
Gulf Stream	-	8.1%	3.8%
Where horses running	9.5%	8.1%	7.7%
Other	49.2%	45.9%	43.5%
<u>Harness</u>			
Windsor	31.0%	20.0%	31.0%
Orangeville	48.3%	6.0%	48.3%
Other	20.7%	20.0%	20.7%

Conclusion:

There does appear to be a significant demand
in the Metropolitan Toronto region for a
Government Off Track Betting System to handle

other tracks. However, there is not any one track on which a large percentage of bettors would like to bet.

(b) Kingston

(i) Other tracks attended more than 5 times last year

- 6.9% of the Thoroughbred bettors in Kingston attended other tracks more than 5 times last year;
- 79% of the Harness bettors in Kingston attended other tracks more than 5 times last year; and
- Of those Harness bettors who attended other tracks more than 5 times:
 - 72.5% attended Frontenac Downs
 - 28.6% attended Exhibition Raceway

Conclusion

It appears that a significant proportion of the bettors in Kingston attend the Harness race tracks of Frontenac Downs and Exhibition Raceway. Accordingly, further thought should be given to the desirability of providing Government Off Track Betting System to handle these other tracks.

(ii) Other tracks bet with a Bookmaker last year

An insignificant number of people in the Kingston area used a bookmaker to bet other tracks last year.

Conclusion

A Government Off Track Betting System to cover other tracks would have little effect on the bookmaker in Kingston. Accordingly, unless new money is generated into the system, a significant impact on the race tracks might result.

(iii) Other Tracks Would Bet at Government Off Track Betting System

The percentage of bettors that would like to bet other tracks through the Government Off Track Betting System are:

	<u>Thorough- bred</u>	<u>Harness</u>
Minimum Shop	26.7%	63.4%
Telephone System	33.3%	66.7%
Minimum Combined System	27.8%	90.0%

Conclusion

A significant proportion of the bettors in Kingston would like to bet other tracks. However, interest in specific tracks varies and there does not appear to be a strong demand for any one other track.

(c) Sault Ste. Marie-Thunder Bay

(i) Other Tracks Bet with a Bookmaker Last Year

No one in the Northern Ontario region admitted betting other tracks with a bookmaker last year.

Conclusion

There appears to be little interest in Sault Ste. Marie and Thunder Bay for betting other tracks with a bookmaker.

(ii) Other Tracks Would like to Bet with Government Off Track Betting System

The percentage of bettors who would like to bet other tracks through the Government Off Track Betting System are:

	<u>Thorough- bred</u>	<u>Harness</u>
Minimum Shop	23.3%	20.3%
Telephone System	17.1%	13.5%
Minimum Combined System	27.9%	22.2%

No one other track was mentioned by a significant percentage of bettors who would like to bet other tracks.

Conclusion

There appears to be little interest in Sault Ste. Marie and Thunder Bay for betting specific other tracks.

(2) Additional Comments

In Metropolitan Toronto it appears premature to implement a Government Off Track Betting System which will handle other tracks - the demand is not yet significant. In Sault Ste. Marie and Thunder Bay there is virtually no demand for betting other tracks. It is recommended, however, that both Metropolitan Toronto and the Northern Ontario region be continually monitored for changes in this demand, especially as a behavioural pattern becomes established once the Government Off Track Betting System is implemented to cover the major race tracks.

With respect to Kingston, there already exists a significant demand to bet other tracks. Accordingly, it is recommended that further study be undertaken now with respect to Kingston and the rest of the Southern Ontario region in terms of the feasibility of implementing in the near future a Government Off Track Betting System to handle other tracks.

B. Major Races

1. Purpose

To study the betting habits of residents of Ontario.

2. Objective

To determine whether a demand exists in Ontario to bet the major races such as the Kentucky Derby, Belmont, Preakness, Hambletonian, Little Brown Jug and Messenger.

3. Methodology

The same questionnaires (see Appendix 4) which were used to obtain the results in the main study, also contained questions with respect to major races; i.e. as an ancillary aspect of the General Bettor Survey respondents were asked additional questions relating to major races.

TABLE 18

MAJOR RACESPercentage of Bettors Who Will Bet Major Races

<u>Region</u>	<u>Minimum Shop</u>		<u>Telephone System</u>		<u>Minimum Combined System</u>	
	<u>Thorough- bred</u>	<u>Harness</u>	<u>Thorough- bred</u>	<u>Harness</u>	<u>Thorough- bred</u>	<u>Harness</u>
Metropolitan Toronto	89.5	66.7	84.3	74.1	85.8	68.5
Southern Ontario	100.0	62.5	100.0	25.0	100.0	60.0
Northern Ontario	87.2	67.7	92.3	82.4	88.4	69.4
<u>Expected Handle Per Major Race - \$ M</u>						
Metropolitan Toronto	282.2	103.0	174.3	93.0	347.7	145.1
Southern Ontario	215.0	52.4	225.5	8.7	361.9	61.2
Northern Ontario	47.1	29.6	13.5	9.6	52.7	33.5

4. Findings

(a) Introduction

Reference should be made to the Index of Detailed Tables in Appendix 16 and to the Detailed Tables in Appendix 13, which tables discuss the data obtained from the questionnaires.

(b) Assumptions and Conditions

The results stated below are projections based upon the entire Province; i.e. the Metropolitan Toronto, Kingston and Sault Ste. Marie-Thunder Bay surveys were projected to the Metropolitan Toronto, Southern Ontario and Northern Ontario regions respectively (the projection technique is discussed elsewhere in this report). In order to arrive at this decision to project as aforesaid, it is assumed that these major races are equally popular and well known to all people within each of the three regions.

(c) Results

(1) Betting Behaviour

Table 18 (opposite page) shows a summary of the results of this portion of the study.

Conclusion

A significant proportion of the betting population in each of the three regions expressed an interest in betting the major races. Accordingly, it is recommended that further study be undertaken now regarding the feasibility of adding, in the near future, a feature to the Government Off Track Betting System to handle major races.

C. Superfecta

1. Purpose

To study the betting habits of residents of Ontario.

2. Objective

To determine whether a demand exists in Ontario to bet the Superfecta.

3. Methodology

The same questionnaires (see Appendix 4) which were used to obtain the results in the main study also contained questions with respect to the Superfecta; i.e. as an ancillary aspect of the General Bettor Survey respondents were asked additional questions relating to the Superfecta.

4. Findings

(a) Introduction

Reference should be made to the Index of Detailed Tables in Appendix 16 and to the Detailed Tables in Appendix 13, which tables discuss the data obtained from the questionnaires.

(b) Assumptions and Conditions

(i) The results stated below are projections based upon the entire Province; i.e. the Metropolitan Toronto, Kingston and Sault Ste. Marie-Thunder Bay surveys were projected to the Metropolitan Toronto, Southern Ontario and Northern Ontario regions respectively (the projection technique is discussed elsewhere in this report).

(ii) The Superfecta is defined in the questionnaire as follows:

"We are exploring a new betting idea. It is called the Superfecta. This would relate to one race (Harness only) run at night at a designated race track. To bet the Superfecta in this race you would have to pick the first four horses in their correct order: 1st, 2nd, 3rd, 4th. The amount of the payoff to winners would depend upon the amount of money bet on the Superfecta. In the United States, payoffs on this type of race have been as high as

TABLE 19

SUPERFECTA

<u>Region</u>	<u>Percent of Bettors Who Will Bet the Superfecta</u>	<u>Expected Weekly Handle - \$M</u>
(a) <u>Non-Televised (i.e. if the Superfecta were not televised)</u>		
Metropolitan Toronto	55.2	288.3
Southern Ontario	46.7	544.8
Northern Ontario	57.9	72.1
(b) <u>Televised (i.e. if the Superfecta were televised)</u>		
Metropolitan Toronto	62.8	321.9
Southern Ontario	60.1	658.0
Northern Ontario	69.8	80.1

\$30,000.00. It would be possible to bet this race at any of the Government Off Track Betting Systems."

(iii) The handle shown in the Tables in Appendix 13 is the handle per night; accordingly, to arrive at the weekly expected handle for a person who will bet the Superfecta twice per week, the handle indicated was doubled, etc.

(c) Results

Table 19 (opposite page) shows a summary of the results of this portion of the study.

Conclusion

A significant proportion of the betting population in each of the three regions expressed an interest in betting the Superfecta. Accordingly, it is recommended that further study be undertaken now regarding the feasibility of adding, in the near future, a feature to the Government Off Track Betting System to handle the Superfecta. It is clear that, although the handle would increase if the races were televised, this is not a necessary condition .

D. Demographics of the Trackgoer

1. Purpose

To study the reasons why people attend the race track.

2. Objective

To determine whether the categories of trackgoers set out in Off Track Betting - Boon or Bog, by Spindletop Research, are applicable to the Ontario trackgoer.

3. Methodology

The same questionnaires (see Appendix 4) which were used to obtain the results in the main study also contained questions with respect to reasons for track attendance; i.e. as an ancillary aspect of the General Bettor Survey respondents were asked additional questions relating to the reasons why they attend the race track.

4. Findings

(a) Introduction

Reference should be made to the Index of Detailed Tables in Appendix 16 and to the Detailed Tables in Appendix 13, which tables discuss the data obtained from the questionnaires.

(b) Assumptions and Conditions

- (i) The Spindletop Report categorizes trackgoers as follows:

"Horse Lover- Those who primarily attend to enjoy the racing events and the track environment. Betting is incidental. This is the group, probably small, who would attend even if there were no betting."

"Sports Bettor- Those who go primarily to legally bet on a sports event. They either prefer the legality of the opportunity or else illegal alternative opportunities are inconvenient or not available. There is no direct evidence of this group although the California study does note a relationship between Nevada gambling patrons and wagerers on horse races."

"Lottery Bettor- Those who go primarily for the opportunity to obtain a large return on a small wager. This group bets primarily on the daily double, perfecta, exacta, Tierce, quatro, or other unconventional wagering. The competition for this group comes from lotteries not based on racing."

"Handicapper- Those who go to bet on racing in particular. They believe they understand racing and the art of handicapping (evaluating odds on) racing stock. They expect to beat

the pari-mutuel or other (illegal) odds with their special skills or knowledge. This group is small but clearly identified in a 1965 study of California horse racing."

"Clubhouse Patron - Those who go because it is a place to meet people, to drink and dine, and to enjoy entertainment. For this group, the races are just one of many places for entertainment. Night clubs and lounges compete for this group. The market for group or club meetings or entertainment falls in this category."

(ii) The categories set out in Question 1. (a) - (2) to (6) of the questionnaires (see Appendix 4) parallel the Spindletop categories described above; namely,

- I like to watch the horses run
- I like to bet
- I like the chance to win a lot of money
- I like to study the racing form, see the odds and see the horses before I bet
- I like to meet my friends in the clubhouse and enjoy the entertainment

(iii) The results discussed below relate to respondents in the Metropolitan Toronto region only.

(iv) There is contained below only a brief summary of the results. A more detailed analysis of the results is contained in the main study. (See Section VI, 2. (a) (iii) entitled, The Future of the Major Race Tracks).

(v) Each respondent in question 1. (a) of the questionnaire was requested to fit himself into one of the Spindletop categories and in question 1. (b) was asked to describe other reasons for attending the race track.

(c) Results

(i) The Spindletop categories appear to accurately describe the trackgoer in Metropolitan Toronto. Other than excitement and enjoyment which were set out in the questionnaire as examples of other reasons and which in themselves relate back to one or more of the Spindletop categories, no other reasons were listed for attending the race track.

(ii) 43.8% of those attending the race track list being a horse lover as the primary reason. The other Spindletop categories are evenly divided amongst the balance of trackgoers.

APPENDICES

1	Report of the Results of the Group Interview	Not Reproduced
2	General Population Survey Questionnaires	Not Reproduced
3	Interviewer Control Procedures	Not Reproduced
4	General Bettor Survey Questionnaires	Not Reproduced

APPENDIX 5

RELIABILITY, VALIDITY AND STATISTICAL CONSIDERATIONS

All findings discussed in this report should be interpreted subject to the following considerations:

A. Sample Size

It was originally proposed that there be conducted 450 personal interviews in each of Metropolitan Toronto, Kingston and Sault Ste. Marie. However, a very high refusal rate was experienced by the personal interviewers in each region and accordingly it was possible to complete only 250 interviews in Metropolitan Toronto, 122 in Kingston and 133 in Sault Ste. Marie-Thunder Bay. (Thunder Bay was added in order to increase the sample size for Northern Ontario). Time and budgetary restrictions prevented the possibility of increasing the sample size. Accordingly, (1) the findings in Kingston and Sault Ste. Marie-Thunder Bay are based on a very small sample size and are only indicative of a trend without statistical significance, and (2) the findings in Metropolitan Toronto are based on a slightly larger sample size, but this sample size still has only limited statistical significance.

It should be pointed out that the high refusal rate is attributable substantially to the subject matter of betting on horses. It was not possible to anticipate

this high refusal rate since all potential respondents were preselected on the basis of having already admitted in the General Population Survey (telephone) to having an active interest in horse races.

B. Skewed Sample Possibility

There appears to be a significant reluctance on the part of residents of Ontario to discuss their betting behaviour. This becomes evident when one considers:

1. the extreme difficulty experienced in attempting to recruit participants for the group interviews; and
2. the high percentage of people who, notwithstanding the fact that they admitted in the General Population Survey (telephone) that they have an active interest in horse races, when confronted by a personal interviewer, either denied any knowledge of horse racing (16.5% in Metropolitan Toronto and 25.7% in Kingston) or refused to answer the questionnaire (49.2% in Metropolitan Toronto and 26.3% in Kingston).

Some of the reasons for this reluctance appear to be:

1. that an immoral and/or illegal stigma is still associated with betting on horses;
2. that respondents may not believe that the

responses will be kept anonymous, notwithstanding the fact that each interviewer stressed this in his introduction; and

3. a desire of a respondent that his family not find out about his betting behaviour (this becomes a problem since interviews take at least one half hour and are therefore conducted in the home).

As a result of the fact that a great deal of reluctance to answer the questionnaire was experienced, the possibility exists that all those who completed the questionnaire possess common characteristics and accordingly the sample might not be completely representative of the betting public (i.e. might not be completely random).

C. Government Letter

In an attempt to minimize the aforementioned high refusal rate, each personal interviewer was given a copy of a letter from the Task Force (see Appendix 7 for a copy of this letter) to be used only when necessary. Although it is possible that the use of such a letter might

- (1) further discourage respondents from answering; and
- (2) lead some respondents to misstate the information by answering the questions as they would expect the Government would want;

discussions with the interviewers who used the letter lead to the belief that these potential negative repercussions did not materialize to any appreciable extent.

D. Willingness of Respondents to Accurately Quantify Betting Behaviour

Two factors are relevant here:

- (1) some people, when given an opportunity to discuss betting habits, will tend to overstate the true facts in order to give themselves a feeling of self-importance; and
- (2) some people, because of the presence of family members or for other reasons, will understate the true facts.

It is not possible within the ambit of this study to quantify these factors; however, it is assumed that the net result of these factors is a very insignificant intentional misstatement.

E. Ability of Respondents to Accurately Quantify Current Betting Behaviour

All steps were taken to assist the respondents in answering the questionnaire- the interviewers were thoroughly trained in the proper use of probing techniques. In addition, the interviewers stated that little difficulty was experienced in getting respondents

to make estimates of betting behaviour. Accordingly, it is concluded that respondents, with proper probing, can estimate betting behaviour; however, it must be emphasized that these responses are estimates only.

Peculiar problems exist with respect to the ability of respondents to predict future betting behaviour and these are discussed below under the heading, "Predictive Research".

F. Predictive Research

That there are frailties inherent in any predictive research is a given. All steps were taken to minimize whatever frailties normally exist with predictive research; namely,

- (1) each respondent is currently a bettor and therefore familiar with betting generally;
- (2) each respondent was taken through his current betting behaviour and this could then be used as a benchmark for his predictions;
- (3) the interviewers were all thoroughly trained with respect both to the subject matter and to interviewing techniques;
- (4) a very clear description of the proposed facility was read to the respondent; and
- (5) each respondent was given a hand card (see Appendix

8 for a sample of the type of hand card used) containing a summary of all of the relevant points (except with respect to those interviews which were conducted by telephone in Sault Ste. Marie and Thunder Bay).

G. Length of General Bettor Survey Questionnaire

The questionnaire (see Appendix 4) is much longer than most questionnaires which are administered by telephone or at home. Accordingly, the respondents were asked to donate between one half hour and two hours of their leisure time. It is therefore very likely that a fatigue factor would affect a great many respondents with the result that less thought might have been given to the latter part of the interview.

H. Disposable Income Syndrome

An individual, when given the opportunity, will often express a desire to participate in a new activity without giving adequate thought to the availability of disposable income. It is therefore possible that respondents who indicated that they would use the Government Off Track Betting Systems and would also continue to use the existing facilities (to the same or to a lesser extent), might be overstating their gross handle. This problem is common to all predictive research and all steps were taken to minimize this; namely, through proper questionnaire design and through proper interviewer training.

APPENDIX 6

CONDITIONS

This appendix discusses a series of conditions upon which the findings are based. These conditions are based on both fact and assumption and all findings should be interpreted subject to them.

A. Northern Ontario Region

In Sault Ste. Marie a record snowfall made interviewers unable and unwilling to work efficiently. Accordingly, the questionnaire was changed slightly and administered by telephone. All questionnaires for tabulation purposes were conformed to a common base. In addition, an abnormally high refusal rate made it necessary to conduct a separate study in Thunder Bay which survey was conducted by telephone. The results of these two studies were combined into a single report of the Northern Ontario region.

The surveys which were administered in Sault Ste. Marie and Thunder Bay deleted any reference to:

- (1) current track attendance as there are no race tracks near either city and it was concluded that there would be an insignificant handle at the major race tracks coming from these cities; and

- (2) messenger service attendance as there are no messenger services in either city.

B. "Definitely" and "Maybe" Division

Each respondent was asked to express his intention of using each of the Government Off Track Betting Systems in terms of (1) definitely, (2) maybe; or (3) never. 100% of the projected handle of those who expressed a "definitely" intention and none of the handle of those who expressed a "maybe" intention to use the minimum shop or telephone system were included. With respect to the minimum combined system, where a respondent indicated that he would use the minimum shop and/or the telephone system "definitely", it was assumed that a "definitely" intention would apply to his entire handle.

C. Non Bettors

This study relates only to those who currently have an active interest in horse races. It is expected that non bettors would be attracted to the Government Off Track Betting Systems and it is suggested that secondary research should be relied upon to attempt to quantify the expected handle from non bettors.

D. Consumer Awareness

Each respondent to the questionnaire was made fully aware of the Government Off Track Betting Systems by the interviewer. All projections based on the surveys

assume that the total better population will be made equally aware through some form of media communication. If a Government policy decision is made to restrict media communication, the findings should be discounted by an appropriate factor, which factor would be based upon expected media reach.

E. Location of Facilities

It was assumed that the Government Off Track Betting Systems would be located conveniently to the entire population in all regions (that is, the entire adult population of the regions were used for projection purposes). If this assumption is not correct, the findings should be discounted by an appropriate factor, which factor would be based upon that portion of the adult population in each region which would not have convenient access to the Government Off Track Betting Systems.

F. Adjustment to Questionnaires

The questionnaires (see Appendix 4) indicate that there are the following numbers of race days and race weeks at Greenwood, St. Catharines and Campbellville:

	<u>Greenwood</u>	<u>St. Catharines</u>	<u>Campbellville</u>
Race days	156	96	60
Race weeks	26	16	10

This is incorrect as there were in 1971 the following numbers of race days and race weeks:

	<u>Greenwood</u>	<u>St. Catharines</u>	<u>Campbellville</u>
Race days	124	83	60
Race weeks	25	16	10

All questionnaires were reviewed and responses were adjusted wherever it was decided that the responses were based upon the incorrect information.

G. Bookmaker Handle

The tables with respect to bookmaker handle from other sports relate only to bookmaker customers who also bet horses with a bookmaker, i.e. each person must bet horses in order to qualify as a respondent. These findings, therefore, cannot be used to estimate total bookmaker handle.

H. Editing and Coding of Questionnaires

A. Editing

The following procedure was followed in editing the questionnaires:

- (1) each questionnaire was reviewed in order to ensure that it was properly completed;
- (2) wherever a range was indicated by a respondent the midpoint was used where possible (e.g. 7-9 became 8) and where it was not possible to use the midpoint the minimum was used one time and

the maximum the next in order to balance all adjustments (e.g. 7-8 became 7 on one questionnaire and 8 on the next); and

- (3) wherever an essential element of a question was not filled in, the minimum possible answer was used (e.g. where a respondent indicated that he bet at a particular track and indicated the amount of his bet, but did not indicate the frequency of attendance, one day was used).

B. Coding

Wherever there were not sufficient numbers of responses to any question to warrant listing such responses separately, the code "other" appears in the Detailed Tables. A list of all responses which are included under the heading "other" is available and will be supplied to the Task Force upon request.

I. Detailed Tables

There are two sets of Detailed Tables for each city in which a General Bettor Survey was completed. One set of tables shows the results of the survey ("Sample Tables") and the other set of tables shows the results of the survey after these results were projected ("Projected Tables").

With respect to all tables which show an amount for handle per day, reference should be made to the figure for handle per day which appears on the Sample Tables, rather than the figure which appears on the Projected Table - the slight discrepancy between the two sets of tables is a result of rounding.

J. Respondents Who Did Not State A Response

Some tables contain a column headed, "Not Stated", which column indicates the number of respondents who did not answer that particular question. Some tables have erroneously omitted to state the number of respondents who did not answer a particular question; however, wherever the number of responses is less than the total number of respondents indicated, this difference results from the fact that some respondents did not answer the question.

K. Apparent Inconsistencies

A close analysis of the tables will reveal that some tables do not correlate with others. These inconsistencies could have been eliminated when the questionnaire was edited, but it was decided not to do so because:

- (1) none of these inconsistencies affect any handles expressed; and
- (2) it was decided that it would be preferable to accurately reflect the responses of all respondents wherever possible unless the reason for the inconsistency was obvious.

A list of some of the more common types of inconsistencies follows (the tables indicating type of races bet, i.e. Thoroughbred, Harness or Both are referred to as "type tables"; the tables indicating handle are referred to as "handle tables"):

- (1) the handle tables with respect to current betting behaviour will show a different number of people from the corresponding type tables as some respondents do not bet the major race tracks; and
- (2) the handle tables with respect to projected betting behaviour will show a different number of people from the corresponding type tables where respondents:
 - (a) did not indicate the amount that they would bet in which case they would not show in the handle questions; or
 - (b) did not fill in the type tables but did indicate an amount in which case they would show in the handle question but would not show in the type table.

It is emphasized that these and other similar inconsistencies are insignificant and should therefore be ignored in terms of analysis of the tables.

L. Interviews of Non Bettors

In the course of conducting the General Bettor Survey, some interviews were completed with individuals who are

currently non bettors, but who indicated an intention to use the Government Off Track Betting Systems. It was decided not to tabulate the results of these interviews because:

- (1) the study, as indicated elsewhere in the report, is of current bettors only; and
- (2) it is uncertain whether the individuals described above are currently non bettors since in the General Population Survey they expressed an active interest in horse races. As a result of this uncertainty, it was decided that it would not be useful to analyze these interviews.

However, these questionnaires can be made available to the Task Force should it wish to review them.

M. Economic Adjustment

All discussions relating to the effect of messenger services on the handle and usage of the components of the racing industry assume that the entire effect is as a result of the messenger services. Each respondent who uses messenger services was asked to indicate his handle and usage at the major race tracks before he began to use the messenger services. The entire difference between his past and current handle and usage was attributed to the fact that he uses messenger services; however, this results in a slightly inaccurate effect of messenger services since some portion of that

change might have resulted from changes in a respondent's economic condition, etc. It is beyond the ambit of this report to break down this difference in any more detail.

All discussions relating to total race handle in the future assume that the only change will be the introduction of a Government Off Track Betting System. No adjustment has been made for economic changes, etc.

N. Results

The results analyze only the most significant data obtained from the surveys. Reference should be made to the Detailed Tables in Appendix 13 and to the Index of Detailed Tables in Appendix 16 in order to:

- (1) review the sources of the data which is analyzed;
and
- (2) obtain data with respect to those tables which were not analyzed.

O. Effect of the Government Off Track Betting Systems on the Handle and Usage of the Major Race Tracks - Northern Ontario Region

With the concurrence of the Task Force, it was decided to delete any questions related to current race track attendance in the General Bettor Survey for the Northern Ontario region (see also paragraph A above). It was concluded that very few residents of the Northern Ontario region would attend the major race tracks and accordingly

that the Government Off Track Betting Systems would have an insignificant effect on the handle and usage of the major race tracks from residents of the Northern Ontario region.

Notwithstanding the above each respondent in the Northern Ontario region who indicated that he would use the minimum shop was asked whether he attended the major race tracks more than three times in the last year. Those who responded positively were asked:

Think about your current betting behaviour at the Thoroughbred (Harness) race track. If the described Off Track Betting Shop were introduced and you used it as you described previously, would you go to the race track

- 1) more?
- 2) less?
- 3) no change?

The results of these questions appear in Detailed Tables 1, 2 and 51 to 60 in the Northern Ontario region. These results are in terms of numbers of people only and are not quantified in terms of numbers of days or numbers of dollars. It appears from these results that the conclusions stated above are reasonably accurate; namely,

- (1) there is a small number of residents in the Northern Ontario region who attended the major race tracks more than 3 times last year; and
- (2) the Government Off Track Betting Systems will

have an insignificant effect on the handle and usage of the major race tracks from residents of the Northern Ontario region.

P. Race Track Handle and Messenger Service Handle

There is approximately 190 million dollars currently reaching the pari-mutuel pools of the major race tracks from residents of Ontario. The assumption was made that of this 190 million dollars

- (a) 180 million dollars is bet directly at the major race tracks by residents of Ontario; and
- (b) 10 million dollars comes from the messenger services (i.e. of all the money bet by residents of Ontario with the messenger services, 10 million dollars actually gets transported to the pari-mutuel windows of the major race tracks).

It was stated elsewhere in this report that this figure of 10 million dollars is an assumption only and was made in order to make possible the calculation of the projection factors. Indeed, if this assumption is correct, the messenger services have had no effect on the handle of the major race tracks since the estimate in this report is that messenger services have reduced the amount bet directly at the major race tracks by 10 million dollars.

Furthermore, if this assumption is low, the handle of the major race tracks might have increased as a result of the

messenger services. This is possible when one considers that:

- (1) the messenger services generated new money into the system as they satisfied a consumer demand for off track betting facilities; and
- (2) the messenger services took a significant amount of the bookmaker handle.

No attempt was made in this study to assess what percentage of the messenger services' handle actually reaches the major race tracks.

APPENDICES

7	Government Letter	Not Reproduced
8	Sample of Hand Cards	Not Reproduced
9	Listing of all "A", "B" and "C" Class Race Tracks	Not Reproduced
10	Map of Ontario	Not Reproduced
11	Calculation of Projection Factors	Not Reproduced
12	Population Concentrations in the Southern Ontario Region	Not Reproduced
13	Detailed Tables	Not Reproduced
14	Western Fair Raceway and Windsor Raceway Questionnaires	Not Reproduced
15	Tables - Windsor Raceway and Western Fair Raceway	Not Reproduced
16	Index of Detailed Tables	Not Reproduced
17	Additional Information	Not Reproduced
18	Messenger Service Study Questionnaire	Not Reproduced

